

Annual Financial Statements 2009/2010



**Mossel Bay
Municipality**

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

INDEX

	PAGE
General Information	3
Certification by the Municipal Manager	4
Report of the Auditor-General	5
Report of the Chief Financial Officer	6 – 15
Statement of Financial Position	16
Statement of Financial Performance	17
Statement of Changes in Net Assets	18
Cash Flow Statement	19
Notes to the Annual Financial Statements:	
<i>Note 1: Accounting Policy</i>	20 – 38
<i>Notes 2 - 49: Other Notes to Annual Financial Statements</i>	39 – 70
Appendices:	
<i>Appendix A: Schedule of External loans</i>	71
<i>Appendix B: Analysis of Property, Plant & Equipment</i>	72 – 73
<i>Appendix C: Segmental analysis of PPE</i>	74
<i>Appendix D(1): Segmental Statement of Financial Performance</i> <i>(Municipal Department Classification)</i>	75
<i>Appendix D(2): Segmental Statement of Financial Performance</i> <i>(GFS Classification)</i>	76
<i>Appendix E(1): Actual VS Budget (Revenue + Expenditure)</i>	77 – 78
<i>Appendix E(2): Actual VS Budget (Acquisition of PPE)</i>	79 – 80
<i>Appendix F: Disclosure of Grants & Subsidies</i>	81 – 84

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

GENERAL INFORMATION

Mayoral Committee: Alderlady M Ferreira (Executive Mayor)
Councillor H Levendal (Executive Deputy Mayor and Chairperson, Community Services Committee)
Clr Ms E Domingo (Chairperson, Corporate Services Committee)
Clr J van der Merwe (Chairperson, Financial Services Committee)
Alderman E Scheepers (Chairperson, Technical Services Committee)

Speaker: Alderman N Lodewyks

Ward councillors:

1 Clr R Skombingo (ANC)
3 Clr Ms N E Bobotyana (ANC)
5 Clr J J Gerber (DA)
7 Clr J van der Merwe (DA)
9 Clr A Platjies (DA)
11 Clr P A Du Plessis (DA)

2 Clr S P Maphisa (ANC)
4 Clr B Jacobs (ANC)
6 Alderman E Scheepers (DA)
8 Alderman N Lodewyks (DA)
10 Clr J Booyens (DA)
12 Clr W T Buda (ANC)

Proportional representative councillors:

Clr Ms M de Klerk (ANC)
Alderlady M Ferreira (DA)
Clr Ms N Giles (ACDP)
Clr H Levendal (DA)
Clr J M Cerff (ID)
Clr K H Smit (DA)

Clr Ms E Domingo (DA)
Clr H Floors (DA)
Clr O J Kumalo (DA)
Clr Ms N C Lichaba (ANC)
Clr Ms S Moodie (DA)

Auditors:

The Auditor-General
Private Bag X1
CHEMPET, 7442

Bankers:

NEDBANK

Municipal Manager:

Dr. M Gratz

Chief Financial Officer:

Mr. HF Botha

Registered Office:

Civic Centre
101 Marsh Street
Mossel Bay
6506

Postal address:

PO Box 25
Mossel Bay
6500

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Facsimile:

(044) 606-5123

E-mail:

admin@mosselbaymun.co.za

Website:

<http://www.mosselbaymun.co.za>

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

CERTIFICATION BY MUNICIPAL MANAGER

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 84 in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 28 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this act.

.....
Municipal Manager

31/08/2010
.....
Date

REPORT OF THE AUDITOR-GENERAL

The report of the Auditor-General will to be added as soon as the 2009/10 audit process is completed.

REPORT OF THE CHIEF FINANCIAL OFFICER**1 INTRODUCTION**

It gives me great pleasure to present the financial position of Mossel Bay Municipality at 30 June 2010 and the results of its operations and cash flows for the year then ended.

Mossel Bay Municipality has endured many challenges during the 2009/10 financial year, including the challenge of dealing with a drought situation. Many objectives have been achieved during the year in dealing with this specific challenge, including the completion of the Reverse Osmosis plant for the purification of effluent water at Hartenbos. The plant was built in less than five months and completed at the end of June 2010 to supply up to 5 megalitres of water a day.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

2 KEY FINANCIAL INDICATORS

The following are some of the key financial indicators, comparing the 2009/10 financial performance of the municipality to the 2008/09 comparative figures:

RATIO DESCRIPTION	2008/09	2009/10
<u>REVENUE MANAGEMENT</u>		
<i>Level of reliance on government grants</i>	15.8%	15.2%
<i>Actual income VS Budgeted income</i>	(5.0%)	6.9%
<u>EXPENDITURE MANAGEMENT</u>		
<i>Personnel costs to total expenditure</i>	31.5%	24.3%
<i>Actual expenditure VS Budgeted expenditure</i>	(14%)	21.6%
<i>Interest paid as a percentage of total expenditure</i>	0.2%	0.2%
<i>Repairs and maintenance / Total expenditure</i>	8.4%	4.7%
<u>ASSET MANAGEMENT</u>		
<i>Acquisition of PPE – Actual VS Budgeted**</i>	(6.5%)	(13.5%)
<i>Debtors collection period</i>	65 days	64 days
<i>Stockholding period</i>	16 days	15 days
<u>DEBT MANAGEMENT</u>		
<i>Creditors payment period</i>	29 days	28 days
<i>Total liabilities / Total Assets</i>	9.7%	12.2%

** Refer to Appendix E(2) for explanations on variances.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

3 OPERATING RESULTS

3.1 Summary of results

Details of the operating results per segmental classification are included in Appendix D, whilst operational results per category, together with an explanation of significant variances of more than 10 percent from the adjusted budget, are included in Appendix E(1).

DESCRIPTION	Actual 2008/09	Actual 2009/10	Variance	Adjusted Budget 2009/10	Variance
INCOME					
<i>Opening surplus/(deficit)</i>	1 345 210 269	1 369 612 005	1.8%		
<i>Operating income for the year</i>	448 638 281	619 145 092	38.0%	579 437 212	6.9%
<i>Gain on Disposal of PPE</i>	125 766	9 897 430	7769.7%	5 070 000	
<i>Appropriations for the year</i>	197 434	28 971 884			
	1 794 171 750	2 027 626 412	13%	584 507 212	246.9%
EXPENDITURE					
<i>Operating expenditure for the year</i>	405 020 474	634 389 424	56.6%	521 526 744	21.6%
<i>Sundry transfers</i>	19 151 988	5 489 832	(71.3%)		
<i>Surplus from discontinued operations</i>	-	-			
<i>Loss on Disposal of PPE</i>	387 283	350 640	(9.5%)	50 000	
<i>Closing surplus/(deficit)</i>	1 369 612 005	1 387 396 515	1.3%	62 930 468	
	1 794 171 750	2 027 626 412	13%	584 507 212	246.9%

The accumulated surplus as at 30 June 2010 amounted to R1 387,4 million. The accumulated surplus as at 30 June 2009 of R1 370,6 million was restated with previous year corrections of R5,5 million, amounting to R1 369,6 million. This indicates an increase of R17,8 million or 1,3% in the accumulated surplus from the 2008/09 financial year to the 2009/10 financial year.

The R5,5 million restatement of the previous year accumulated surplus is mainly due to the correction of the discounting on consumer deposits done in the 2008/09 financial year. However, consumer deposits is not a financial instrument in accordance with IAS 39 and should not be discounted.

The operating income increased with 38 percent to R619,1 million from the previous financial year income of R448,6 million. The main contributor to this is the revaluation adjustment on Investment property of R97,7 million and the increase in grants and subsidies as well as public contributions in order to fund the Reverse Osmosis plant project. The operating expenditure increased with 56,6 percent to R634,4 million, due to the impairment of Investment property to the value of R186,4 million.

The Municipality's financial statements ended on a deficit of R5,7 million. It must, however, be taken into account that the revaluation adjustment and impairment losses mentioned above are non-cash entries. It must also be taken into account that certain expenditures which was transferred through the Statement of Changes in Net Assets, while the expenditure was shown as an expenditure in the operational budget, for example:

- Contribution to Capital Replacement Reserve R36 200 000
- Transfer of External Services contributions R 2 824 663

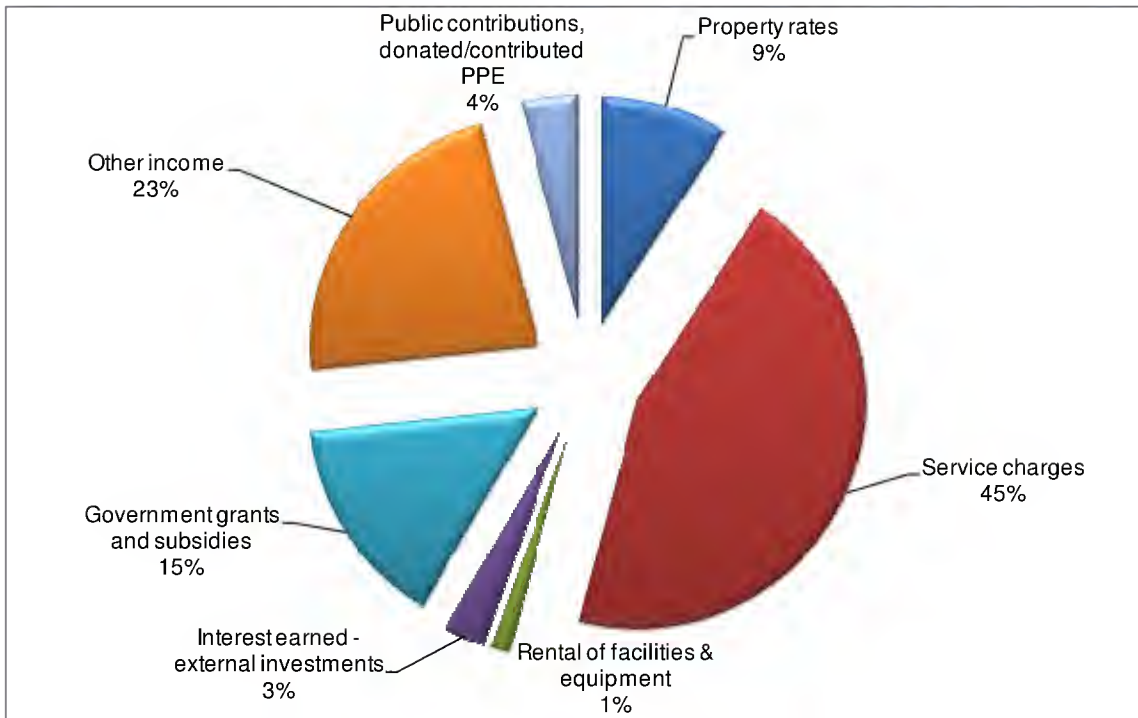
The above mentioned amounts are therefor not included in the gross income and expenditure amounts mentioned above. It is for these reasons that the surplus as shown in the Statement of Financial Performance cannot be compared with the budgeted surplus.

MOSSEL BAY MUNICIPALITY

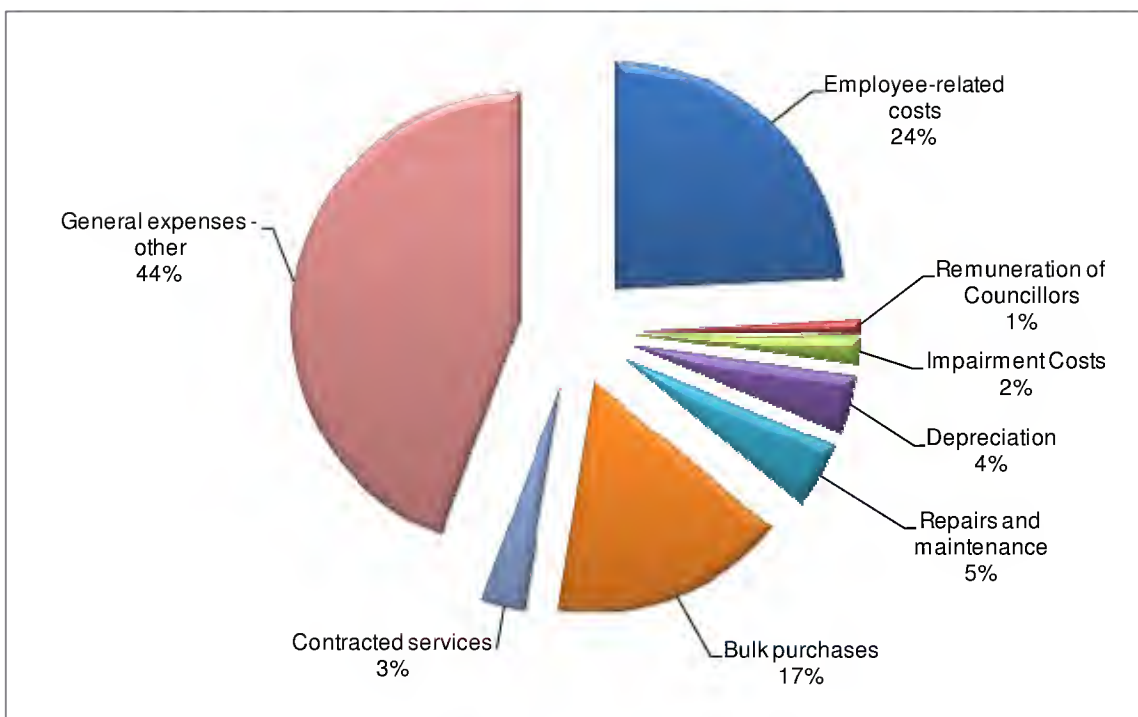
Annual Financial Statements for the year ended 30 June 2010

3.2 Operating Revenue and Expenditure

The following graph indicates the municipality's major revenue sources for the year under review:



The following graph indicates the municipality's major types of expenditure for the year under review:



MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

3.3 Rates and General services

DESCRIPTION	Actual 2008/09	Actual 2009/10	Variance	Adjusted Budget 2009/10	Variance
Income	230 231 742	325 056 941	41.2%	271 724 556	19.6%
Expenditure	241 744 689	450 458 771	86.3%	322 164 836	39.8%
Surplus/(deficit)	(11 512 947)	(125 401 830)		(50 440 280)	148.6%
Surplus/(deficit) as % of total income	(5.0%)	(38.6%)		(18.6%)	

Variance from 2008/09 actual:

The deficit with regards to Rates and other General services amount to R125 401 830 for the 2009/10 financial year, which is due to the Impairment/Revaluation of Investment property. This is also why there is such big increases in income and expenditure totals from the previous year.

Variance from 2009/10 budget:

The above-mentioned Impairment/Revaluation of Investment property was not budgeted for.

3.4 Trading services

Council purchases electricity in bulk from Eskom and then redistributes it to the consumers. The tariffs of electricity are considered together with all other tariffs during the compilation of the operational budget. Any increase in electricity tariffs must be approved by the National Electricity Regulator before Council can implement it. Eskom normally adjusts its tariffs in January of every year but Council endeavours to limit its increase to only one increase during July every year.

Council has some of its own water sources of which the Ernest Robertson Dam is the largest. Council also purchases water from the Department of Water Affairs, which is then supplied from the Klipheuwel Dam and the Wolwedans Dam.

3.4.1 Electricity

DESCRIPTION	Actual 2008/09	Actual 2009/10	Variance	Adjusted Budget 2009/10	Variance
Income	154 152 422	190 099 315	23.3%	205 003 739	(7.3%)
Expenditure	116 840 710	136 059 713	16.4%	143 739 291	(5.3%)
Surplus/(deficit)	37 311 712	54 039 602	44.8%	61 264 448	(11.8%)
Surplus/(deficit) as % of total income	24.2%	28.4%		29.9%	

Variance from 2008/09 actual:

The Electricity service shows a surplus for both the 2008/09 and the 2009/10 financial years, with an increase of 44,8 percent between the two years. The surplus of R54 million for the 2009/10 financial year represents a profit percentage of 28,4 percent, whereas a 24,2 profit percentage was realised in the 2008/09 financial year.

Variance from 2009/10 budget:

The total actual income is 7,3 percent lower than the budgeted amount of R205 million for the 2009/10 financial year, whilst the expenditure is 5,3 percent less than the budgeted amount of R143,7 million.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

The following table shows the information regarding Electricity distribution:

ELECTRICITY DISTRIBUTION	2008/09 Financial year	2009/10 Financial year
<i>Units Purchased (Kwh)</i>	307 403 704	287 022 603
<i>Purchase price per kwh</i>	25,72 cent	34 cent
<i>Units Sold (Kwh)</i>	284 372 556	257 585 450
<i>Free Units</i>	7 681 610	7 912 380
<i>Units lost during distribution (Kwh)</i>	15 349 538	21 524 773
<i>Percentage lost during distribution</i>	4.99 %	7.5 %
<i>Net purchase cost (per unit)</i>	25,72 cent	34 cent
<i>Total cost per unit</i>	29,21 cent	39,65 cent
<i>Net sales per unit</i>	54,45 cent	66 cent
<i>Total income</i>	R159 033 398	R174 182 783

3.4.2 Water

DESCRIPTION	Actual 2008/09	Actual 2009/10	Variance	Adjusted Budget 2009/10	Variance
<i>Income</i>	64 254 116	103 988 836	61.8%	102 708 917	1.2%
<i>Expenditure</i>	46 435 074	47 870 940	3.1%	55 622 617	(13.9%)
<i>Surplus/(deficit)</i>	17 819 042	56 117 896	214.9%	47 086 300	19.2%
<i>Surplus/(deficit) as % of total income</i>	27.7%	54%		45.8%	

Variance from 2008/09 actual:

The Water service shows a surplus for both the 2008/09 and the 2009/10 financial year. The surplus of R56,1 million for the 2009/10 financial year represents a profit percentage of 54 percent, whereas a 27,7 profit percentage was realised in the 2008/09 financial year.

Variance from 2009/10 budget:

The total actual income is 1,2 percent more than the budgeted amount of R102,7 million for the 2009/10 financial year, whilst the expenditure is 13,9 percent less than the budgeted amount of R53,1 million.

The following table shows the information regarding Water distribution:

WATER DISTRIBUTION	2008/09 Financial year	2009/10 Financial year
<i>Mega litres Purified</i>	9 790	6 471
<i>Mega litres Sold</i>	8 328	5 076
<i>Mega litres Lost during distribution</i>	1 462	1 395
<i>Percentage lost during distribution</i>	14.93%	21.56%

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

4 CAPITAL EXPENDITURE AND FINANCING

The capital expenditure during the year as stated in the financial statements amounted to R146 779 161 and was financed as follows:

SERVICE AREA	2009/10 Actuals	% of Total Capital Expenditure
<i>Community services/facilities</i>	8 025 867	5.5%
<i>Electricity</i>	25 457 353	17.3%
<i>Housing</i>	1 766 254	1.2%
<i>Refuse</i>	1 239 950	0.8%
<i>Sanitation</i>	13 832 867	9.4%
<i>Streets and Storm water</i>	31 497 563	21.5%
<i>Water</i>	59 380 238	40.5%
<i>Other</i>	5 579 070	3.8%
TOTAL	146 779 161	100.0%

The capital expenditure was financed as follows:

SOURCE OF FINANCE	2009/10 Actuals	% of Total Capital Funding
<i>Capital Replacement Reserve</i>	76 578 974	52.2%
<i>Grants and Subsidies</i>	45 264 792	30.8%
<i>Public contributions</i>	23 520 467	16.0%
<i>Other</i>	1 414 928	1.0%
TOTAL	146 779 161	100.0%

Property, Plant and Equipment is funded to a great extent from the Capital Replacement Reserve as the Municipality does have the financial resources to finance infrastructure capital expenditure from its own funds. The increase in funding from Grants as well as Public Contributions is due to the funds made available for the Reverse Osmosis Plant project which was finished at the end of June 2010. The municipality received grant funding to the amount of R16,5 million and funding from PetroSA to the amount of R22,5 million towards this project.

5 CAPITAL REPLACEMENT RESERVE

The balance of the Capital Replacement Reserve as at 30 June 2010 amounted to R74 208 578 (R101 808 566 as at 30 June 2009).

The Capital Replacement Reserve replaces the previous statutory funds, e.g. the Consolidated Capital Development and Loans Fund, and is a cash-backed reserve established to enable the municipality to finance future capital expenditure. Cash contributions, depending on the availability thereof, are made annually to the reserve.

The municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to the Statement of Changes in Net Assets for more detail.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

6 EXTERNAL LOANS, INVESTMENTS AND CASH

On 30 June 2010 the outstanding external loans amounted to R3 776 793 (R4 899 619 in 2009). Annuity loans to the amount of R239 973, stock loans of R67 766 and leases to the amount of R1 549 982 were redeemed during this financial year.

Council's cashbook showed a negative balance of R8 270 712 and Petty Cash to the amount of R13 980 on 30 June 2010. The bank account showed a positive balance of R8 269 246 with external investments amounting to R187 million against R203 million of the previous year.

More particulars regarding external loans and investments appear in Notes 4 and 21 to the Annual Financial Statements, as well as Appendix A.

7 FUNDING OPTIONS OF INVESTMENT PORTFOLIO

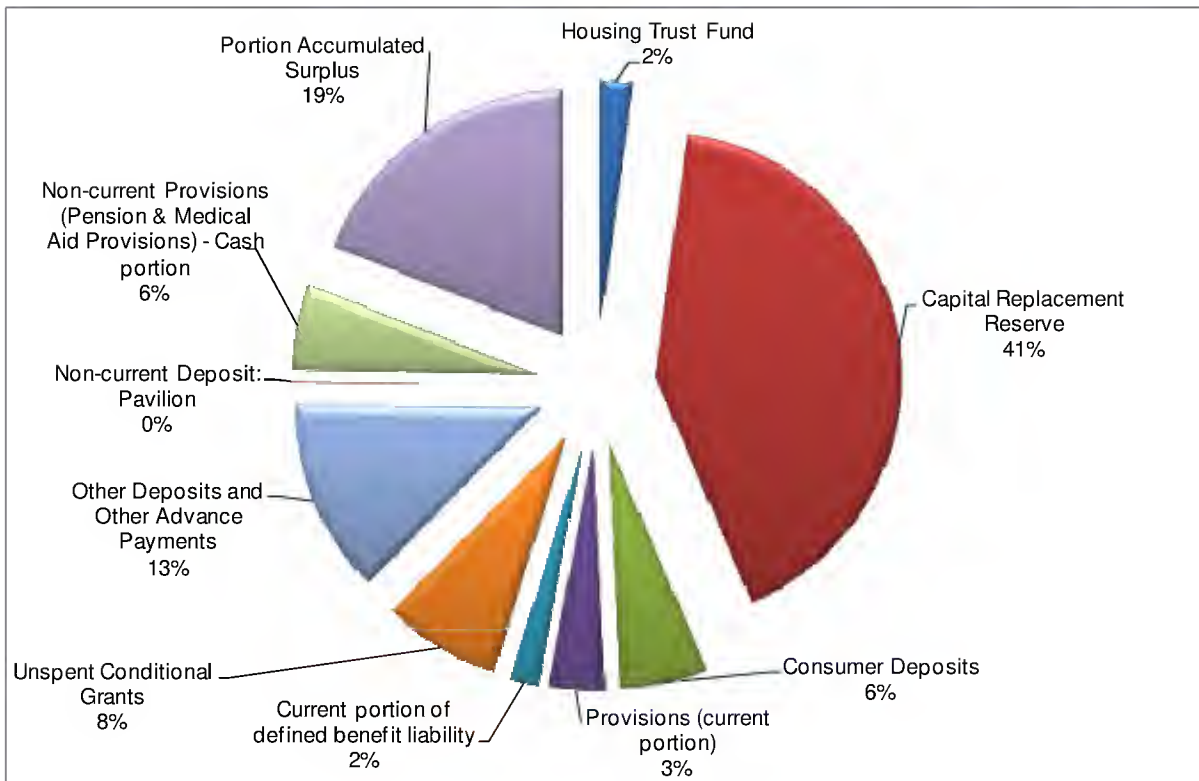
The table below shows the allocation of the investment portfolio towards the funding of various obligations.

Allocation of Cash		
Investments		-
Bank Balances and Cash		187,013,980
		<u>187,013,980</u>
Less: Bank Overdraft		<u>8,270,712</u>
		178,743,268
Allocated to:		
Housing Trust Fund	3,703,705	
Capital Replacement Reserve	74,208,578	
Consumer Deposits	10,161,299	
Provisions (current portion):	6,425,326	
Rehabilitation of Landfill sites	553,584	
Clearing of Alien Vegetation	1,700,000	
Pension Fund Investment Shortfall	4,171,742	
Current portion of defined benefit liability	3,334,688	
Post Retirement benefits	2,427,513	
Long service awards	907,175	
Unspent Conditional Grants	13,753,518	
Other Deposits and Other Advance Paymer	22,770,946	
Retentions	10,791,183	
Payments Received in Advance	6,008,379	
Other Deposits	5,971,384	
Non-current Deposit: Pavilion	212,257	
Non-current Provisions (Pension & Medical Aid Provisions) - Cash portion	10,115,941	
Post Retirement benefits	7,959,334	
Long service awards	498,944	
Clearing of Alien Vegetation	1,057,663	
Rehabilitation of Landfill sites	600,000	
Portion Accumulated Surplus	34,057,010	178,743,268
		-

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

The graph below shows the percentage allocation of the investment portfolio towards the funding of various obligations:



8 NON-CURRENT PROVISIONS

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Non-current provisions amounted to R1 657 663 as at 30 June 2010 (R2 781 125 as at 30 June 2009) and is made up as follows:

Rehabilitation of Landfill Sites	R 600 000
Clearing of Alien Vegetation	R 1 057 663
	<u>R 1 657 663</u>

Refer to Note 5 of the Annual Financial Statements for more detail.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

9 EMPLOYEE BENEFITS

These liabilities are in order to enable the municipality to be in a position to fulfil its known legal obligations with regards to employee benefits when they become due and payable.

The Employee benefits liability amounted to R78 885 677 as at 30 June 2010 (R66 290 455 as at 30 June 2009) and is made up as follows:

Post Employment Health Care Benefits	R 72 515 056
Ex-Gratia Pensioners	R 814 207
Long Service Awards	<u>R 5 556 414</u>
	<u>R 78 885 677</u>

Refer to Note 6 of the Annual Financial Statements for more detail.

10 CURRENT LIABILITIES

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations. Current Liabilities amounted to R121 940 636 as at 30 June 2010 (R86 626 038 as at 30 June 2009) and is made up as follows:

Consumer deposits	Note 8	R 10 161 299
Provisions	Note 9	R 6 425 326
Current portion of Employee benefits	Note 6	R 3 334 688
Trade and other Payables	Note 10	R 75 888 671
Unspent conditional grants and receipts	Note 11	R 13 753 518
Taxes	Note 12	R 2 314 520
Bank overdraft	Note 21	R 8 270 712
Operating Lease Liability	Note 22	R 110 907
Current portion of long-term liabilities	Note 4	<u>R 1 660 867</u>
		<u>R121 940 636</u>

11 CURRENT ASSETS

Current Assets amounted to R278 808 250 as at 30 June 2010 (R270 119 928 as at 30 June 2009) and is made up as follows:

Inventory	Note 17	R 12 018 074
Trade receivables from Exchange	Note 18	R 36 088 455
Other receivables from Non-Exchange	Note 19	R 43 170 071
Current portion of long-term receivables	Note 16	R 409 954
Cash and Cash Equivalents	Note 21	R187 013 980
Operating Lease Assets	Note 22	<u>R 107 717</u>
		<u>R278 808 250</u>

The investment deposits of R187 million (included in Cash and Cash Equivalents) are ring-fenced for the purposes of the Capital Replacement Reserve, Unspent Conditional Grants and the repayment of the current portion of Long-term.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

12 TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS

The net balance of Trade and Other receivables from Exchange transactions is indicated below:

<i>DEBTOR</i>	<i>As at 30 June 2010</i>	<i>As at 30 June 2009</i>	<i>Variance</i>
Service debtors:	34 882 022	29 681 891	17.5%
- Electricity	10 616 158	10 238 375	3.7%
- Water	9 240 010	7 605 921	21.5%
- Refuse	3 667 887	2 999 907	22.3%
- Sewerage	11 357 967	8 837 688	28.5%
Debtpack collections	2 308	5 474	(57.8%)
Land Sales	3 539	6 379	(44.5%)
Housing instalments	588 942	559 456	5.3%
Housing rentals	234 450	246 097	(4.7%)
Other	377 195	241 611	56.1%
TOTAL	36 088 455	30 740 908	17.4%

The net balance of Other receivables from Non-Exchange transactions is indicated below:

<i>DEBTOR</i>	<i>As at 30 June 2010</i>	<i>As at 30 June 2009</i>	<i>Variance</i>
Rates	6 807 719	5 303 691	28.4%
Accrued Income	4 655 571	12 952 311	(64%)
Other	31 706 780	6 271 275	405.6%
TOTAL	43 170 070	24 527 278	76%

The municipality has during the financial year written off bad debts to the amount of R10 135 596.

13 EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Deputy Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Directors for the support extended during the financial year. A special word of thanks to all staff that assisted with the collation of year-end information, for without their valuable contributions and assistance these Annual Financial Statements would not have been possible.



HF BOTHA
B. Com. AIMTR (S.A.)
CHIEF FINANCIAL OFFICER

Date: 31 August 2010

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Note	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Net assets		1470 087 437	1475 784 979
Housing development fund	2	8 482 344	9 854 239
Reserves	3	74 208 578	101 808 566
Capital replacement reserve		74 208 578	101 808 566
Accumulated surplus/(deficit)		1387 396 515	1364 122 173
Non-current liabilities		82 851 396	72 268 886
Long-term liabilities	4	2 095 799	2 995 017
Non-current provisions	5	1 657 663	2 781 125
Employee benefits	6	78 885 677	66 290 455
Non-current deposits	7	212 257	202 289
Current liabilities		121 940 636	86 626 038
Consumer deposits	8	10 161 299	9 468 865
Provisions	9	6 425 326	1 940 000
Current portion of Employee benefits	6	3 334 688	2 732 473
Trade and other payables	10	75 888 671	52 713 405
Unspent conditional grants and receipts	11	13 753 518	14 361 827
Taxes	12	2 314 520	2 326 786
Bank overdraft	21	8 270 712	1 098 895
Operating Lease Liability	22	110 907	79 185
Current portion of long-term liabilities	4	1 680 995	1 904 602
Total Net Assets and Liabilities		1674 879 468	1634 679 903
ASSETS			
Non-current assets		1396 071 218	1364 559 975
Property, plant and equipment	13	980 453 150	859 739 551
Intangible Assets	14	287 262	441 734
Investment Property	15	413 143 373	503 157 653
Long-term receivables	16	2 187 433	1 221 037
Investments	20	-	-
Current assets		278 808 250	270 119 928
Inventory	17	12 018 074	11 206 726
Trade and other receivables from Exchange transactions	18	36 088 455	30 740 908
Other receivables from non-exchange transactions	19	43 170 071	24 527 278
Current portion of long-term receivables	16	409 954	523 929
Cash and Cash equivalents	21	187 013 980	203 013 980
Operating Lease Assets	22	107 717	107 108
Total Assets		1674 879 468	1634 679 903

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

Budget		Note	Actual	
2009	2010		2010	2009
R	R		R	R
Continued operations				
REVENUE				
133 907 276	198 785 818	Revenue from Non-exchange Transactions	177 121 263	129 234 117
44 749 827	54 711 495	<i>Taxation revenue</i>	54 986 604	44 142 322
44 749 827	54 711 495	Property rates	54 966 604	44 142 322
85 081 241	141 005 172	<i>Transfer revenue</i>	119 426 360	73 555 776
81 052 058	138 388 682	Government grants and subsidies	94 046 805	70 981 263
4 029 183	2 616 490	Public contributions, donated and contributed PPE	25 379 555	2 574 513
4 076 208	3 069 151	<i>Other non-exchange revenue</i>	2 728 299	11 536 019
4 076 208	3 069 151	Fines	2 644 440	4 910 305
-	-	Actuarial gains	83 859	8 625 714
338 414 355	380 651 394	Revenue from Exchange Transactions	442 023 829	319 404 164
2 212 540	1 570 000	Property rates-penalties imposed & collection charges	2 143 779	2 083 719
253 332 606	292 485 594	Service charges	283 375 367	254 888 753
1 741 264	8 771 727	Rental of facilities and equipment	8 461 372	8 109 944
22 856 167	20 947 197	Interest earned - external investments	18 488 515	26 876 842
1 296	510	Interest earned - unamortised discount	510	1 296
448 794	361 845	Interest earned - outstanding debtors	353 715	413 920
4 062 321	4 232 546	Licences and permits	4 315 156	4 241 681
53 759 367	52 281 975	Other income	124 885 416	22 788 009
472 321 631	579 437 212	Total Revenue	619 145 092	448 638 281
EXPENDITURE				
128 582 406	149 428 532	Employee related costs	153 957 930	127 640 232
5 477 654	8 089 092	Remuneration of Councillors	5 781 129	5 427 079
18 604 033	13 036 328	Impairment Costs	12 513 624	12 332 565
4 795 350	3 413 000	Collection costs	3 362 747	3 858 770
7 571 387	29 843 561	Depreciation	25 732 514	22 913 742
170 037	159 153	Amortisation - Intangible Assets	154 471	154 471
-	-	Actuarial losses	5 340 126	1 410 476
39 489 627	34 358 804	Repairs and maintenance	29 781 327	34 032 658
436 374	660 001	Interest paid	994 701	786 935
88 212 000	114 904 343	Bulk purchases	105 502 690	92 789 002
20 785 413	21 035 022	Contracted services	19 495 580	19 230 387
3 373 341	2 843 324	Grants and subsidies paid	2 672 503	3 010 247
155 609 074	145 775 584	General expenses	269 100 082	81 433 911
471 106 696	521 526 744	Total Expenditure	634 389 424	405 020 474
84 959	5 070 000	Gain on disposal of Property, Plant & Equipment	9 897 430	125 766
(420,159)	(50,000)	Loss on disposal of Property, Plant & Equipment	(350,640)	(387,283)
879 735	62 930 468	SURPLUS/(DEFICIT) FOR THE YEAR	(5, 697,542)	43 356 290
Discontinued operations				
-	-	Surplus for the year from discontinued operations	-	-
879 735	62 930 468	SURPLUS FOR THE YEAR	(5, 697,542)	43 356 290
Refer to Appendix E(1) for explanations of variances				

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

STATEMENT OF CHANGES IN NET ASSETS

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Housing development fund	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Donations & public contribution reserve	Accumulated surplus/(deficit)	Total
	R	R	R	R	R	R	R
2009							
Balance at 1 July 2008	16 462 910	101 854 884	(13 512 798)	11 577 224	(2 981 664)	1345 210 269	1458 610 825
Prior Year Adjustments (Note 36)	(6 473 054)	15 500	-	-	-	(14 234 751)	(20 692 305)
Change in accounting policy (Note 37)	-	-	13 512 798	(11 577 224)	2 981 664	(4 917 237)	-
Change in accounting estimate (Note 38)	-	-	-	-	-	-	-
Restated Balance at 1 July 2008	9 989 856	101 870 384	-	-	-	1326 058 281	1437 918 521
Surplus/(deficit) for the year						43 356 290	43 356 290
Transfer to CRR		69 942 882				(69 942 882)	-
Proceeds on disposal						-	-
Contribution from CRR - purchase PPE		(70 004 700)	-			70 004 700	-
Transfer to FDR Government Grants Reserve				-		-	-
Transfer to FDR Don. and Public Contri. Reserve					-	-	-
Transfer to Housing Development Fund	14 940					(14 940)	-
Transfer from Housing Development Fund	(150 557)					150 557	0
Offsetting of depreciation			-	-	-	-	-
Asset disposals			-	-	-	(0)	(0)
Balance at 30 June 2009	9 854 240	101 808 566	-	-	-	1369 612 005	1481 274 811
2010							
Prior Year Adjustments (Note 36)						(5 489 832)	(5 489 832)
Change in accounting policy (Note 37)						-	-
Change in accounting estimate (Note 38)						-	-
Restated balance at beginning of the year	9 854 240	101 808 566	-	-	-	1364 122 173	1475 784 979
Surplus/(deficit) for the year						(5 697 542)	(5 697 542)
Transfer to CRR		48 978 986				(48 978 986)	-
Proceeds on disposal						-	-
Contribution from CRR - purchase PPE		(76 578 974)	-			76 578 974	-
Transfer to FDR Government Grants Reserve				-		-	-
Transfer to FDR Don. and Public Contri. Reserve					-	-	-
Transfer to Housing Development Fund	238 122					(238 122)	-
Transfer from Housing Development Fund	(1 610 017)					1 610 017	-
Offsetting of depreciation			-	-	-	-	-
Asset disposals			-	-	-	(0)	(0)
Balance at 30 June 2010	8 482 344	74 208 578	-	-	-	1387 396 515	1470 087 437

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts:		573 614 803	423 195 679
Ratepayers		314 140 338	302 926 741
Government		116 107 055	82 654 794
Other		143 367 410	37 614 143
Payments:		569 644 055	354 940 446
Suppliers		148 752 398	144 169 706
Employees		142 734 404	122 679 367
Other		278 157 253	88 091 372
Cash generated from/(utilised in) operations	39	3 970 749	68 255 233
Interest received		18 842 230	27 290 762
Interest paid		(994 701)	(786 935)
Net cash from operating activities		21 818 277	94 759 060
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of PPE		(146 105 305)	(98 690 831)
Proceeds on disposal of PPE		11 217 265	697 576
(Increase)/decrease in investment properties		90 014 280	60 000
(Increase)/decrease in long-term receivables	16	314 057	1 057 397
Net cash from investing activities		(44 559 703)	(96 875 857)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in consumer deposits	8	692 434	364 645
New loans raised/(repaid)		(1 122 825)	111 361
Net cash from financing activities		(430 392)	476 007
Net increase / (decrease) in cash and cash equivalents		(23 171 817)	(1 640 791)
Cash and cash equivalents at the beginning of the year		201 915 085	203 555 875
Cash and cash equivalents at the end of the year	21	178 743 268	201 915 085

NOTES TO THE ANNUAL FINANCIAL STATEMENTS**Note 1: Accounting Policy**

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those applied in the previous year unless otherwise stated.

1.1 Basis of presentation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

The reporting framework is prescribed by the Accounting Standards Board (ASB) in Directive 5 of March 2009 (Revised in February 2010) and is summarised below.

The effective standards, in accordance with Directive 5 of the Accounting Standards Board, are summarised as follows:

Reference	Topic
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosures
IFRS 3 (AC 140)	Business Combinations
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144)	Financial Instruments: Disclosures
IAS 12 (AC 102)	Income Taxes
IAS 19 (AC 116)	Employee Benefits
IAS 32 (AC 125)	Financial Instruments: Presentation
IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement
SIC – 21 (AC 421)	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC – 25 (AC 425)	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Reference	Topic
IFRIC 2 (AC 435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC 437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC 442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC 445)	Service Concession Arrangements
IFRIC 13 (AC 446)	Customer Loyalty Programmes
IFRIC 14 (AC 447)	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC 448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC 449)	Hedges in a Net Investment in a Foreign Operation

The following list of directives, interpretations and guidelines of the Standards of GRAP forms part of the GRAP reporting framework:

Reference	Topic
Directive 1	Repeal of Existing Transitional Provisions in, and consequential amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
Directive 3	Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities
Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue
Guide 1	Guideline on Accounting for Public Private Partnerships

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

1.2 Presentation currency

These annual financial statements are presented in South African Rand and all amounts are rounded to the nearest Rand.

1.3 Going concern assumption

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

1.4 Comparative Information

Budget information in accordance with GRAP 1, has been included in the statement of financial performance and the notes to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed.

Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 Standards, Amendments To Standards And Interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

1.6 Foreign currency transactions

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.7 Housing Development Fund

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998 and which requires that the municipality maintain a separate housing operating account.

Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, *inter alia*, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash backed and available funds are invested in accordance with the municipality's investment policy,
- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Housing,
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets,
- Any interest earned on the investments of the fund is disclosed as interest earned in the statement of financial performance,
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund if funds are available.

1.8 Reserves

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred out of the accumulated surplus/(deficit) into the Capital Replacement Reserve (CRR) in terms of a decision by the Accounting Officer.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality,
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment and may not be used for the maintenance of these items,
- All cash proceeds from the sale of assets (including the sale of buildings and land) will be transferred from the Accumulated Surplus to the CRR via the statement of changes in net assets,
- All cash proceeds from developers contributions and payments received in respect of buyout of parking areas will be transferred from the Accumulated Surplus to the CRR via the statement of changes in net assets,
- The CRR is reduced and the accumulated surplus/(deficit) credited with an amount equal to the cost price of the asset purchased when the funds are utilised,
- The amounts transferred to the CRR are based on the Municipality's need to finance future capital projects. The Integrated Development Plan, the municipality's ability to raise external finance and the amount of government grants and subsidies that will be received in future will be taken into account in order to determine the annual contribution to the CRR,
- Annually a contribution equal to the depreciation of that financial year will be contributed from the accumulated surplus to the CRR. The Chief Financial Officer can decide on an increased contribution to the CRR at the closure of the financial records, if sufficient cash surpluses were generated through savings on expenditure or additional income sources during the year,
- The Chief Financial Officer can decide on a lesser contribution amount, but only if the cash income from Interest on Investments and Tariffs did not realise as budgeted for.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

1.9 Financial Instruments

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

1.9.1 Financial Assets

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Receivables
- Trade and Other Receivables from Exchange Transactions
- Other Receivables from Non-Exchange Transactions
- Current portion of Long-term Receivables
- Cash and Cash Equivalents
- Operating lease assets

The Municipality classifies its financial assets into the following categories:

- Loans and Receivables,
- Held to maturity, and
- Available for sale.

The classification depends on the purpose for which the financial assets were required.

The *Financial Assets* of the municipality are presently classified as follows:

Type of Financial Asset	Classification in terms of IAS 39.09
Long-term Receivables	Loans and receivables
Trade and Other Receivables from Exchange Transactions	Loans and receivables
Other Receivables from Non-Exchange Transactions	Loans and receivables
Current portion of Long-term Receivables	Loans and receivables
Cash and Cash equivalents	Loans and receivables
Operating lease assets	Loans and receivables

Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

1.9.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Trade and Other Payables
- Bank Overdraft
- Current Portion of Long-term Liabilities
- Operating lease liabilities

There are two main categories of Financial Liabilities, based on how they are measured. Financial liabilities may be measured at:

- Fair value through profit or loss; or
- Not at fair value through profit or loss ('other financial liabilities').

Trade and Other Payables

Trade and Other payables are stated at their settlement value.

Accrued Leave Pay

Liability for annual leave is recognised as it accrues to employees. The accrual is based on the total accrued leave days at year-end.

1.9.3 Measurement

Financial Assets:

Held-to-maturity investments and loans-and-receivables are initially measured at fair value and subsequently measured at amortised cost. Financial assets are measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial Liabilities:

Financial liabilities are measured at amortised cost using the effective interest rate method where applicable.

1.9.4 Impairment of Financial Assets

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Consumer Debtors are stated at cost less a provision for impairment. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

1.9.5 De-recognition of Financial Instruments

1.9.5.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.9.5.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.9.6 **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.10 **Leases**

1.10.1 **The Municipality as Lessee**

Amounts held under finance leases are initially recognised as assets of the Municipality at the lower of their fair value at the inception of the lease or the present value of the future minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they may be capitalised in accordance with the Municipality's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

1.10.2 The Municipality as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.11 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, added to the costs of these assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets may be deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

1.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

1.13 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Performance.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

1.14 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent liabilities are disclosed in the notes to the annual financial statements, unless it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

1.15 Employee Benefits

(a) Pension obligations

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the accounting period in which it occurs.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Post Retirement Medical obligations*

The Municipality provides post-retirement healthcare benefits to its employees and retired employees of the municipality, and to their registered dependants. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

(c) *Long Service awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries bi-annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

1.16 Trade and other Payables (Creditors)

Trade and other payables are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method.

1.17 Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

1.18 Accrued annual and performance bonuses

Liabilities for annual and performance bonuses are recognised as they accrue to employees.

Annual bonuses accrue to employees on an annual basis, based on the employee contract. Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions.

These accruals are an estimate of the amount due to staff as at the financial year end.

1.19 Unspent Conditional Grants and receipts

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability - Unspent conditional grants. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unspent Conditional Grant into the statement of financial performance as revenue.

1.20 Taxes - Value Added Tax

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

1.21 Grant-in-aid (expense)

The municipality transfers money to individuals and organisations from time to time, based on merit. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction,
- Expect to be repaid in future, and
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events give rise to the transfer occurred.

1.22 Property, Plant and Equipment

1.22.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

All donated Property, Plant and Equipment is recognised at its fair value.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost).

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.22.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.22.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives.

	Years		Years
Infrastructure		Other	
Roads	13-113	Buildings	30
Stormwater	24-96	Specialist vehicles	10
Electricity	5-73	Other vehicles	5
Water	7-120	Office equipment	3-7
Sewerage	6-138	Furniture and fittings	7-10
		Watercraft	15
		Bins and containers	5
Community		Specialised plant and	
Improvements	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and	
Security	5	Equipment	2-5
		Landfill sites	15

1.22.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.23 Investment Property

1.23.1 Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where the investment property was acquired for no or a nominal value), its cost is its fair value as at the date of acquisition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

1.23.2 Subsequent Measurement – Fair Value

Subsequent to initial recognition investment properties are shown at fair value, based on periodic valuations by external independent valuers. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

1.23.3 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.24 Intangible Assets

1.24.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.24.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.24.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5

1.24.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.25 Non-Current Assets held for sale

1.25.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.25.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.26 Impairment of Tangible and Intangible Assets

At each Statement of Financial Position date the municipality reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the municipality estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance, unless the asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a Revaluation Reserve increase.

1.27 Inventories

1.27.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.27.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose.

The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

1.28 Trade and other Receivables

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

1.29 Cash and Cash Equivalents

Cash includes cash on hand, call deposits and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, call deposits and net of bank overdrafts. Bank overdrafts are recorded based on the facility utilised.

1.30 Revenue Recognition

Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity and water prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

Service charges from sewerage and sanitation for residential and business properties are levied annually based on a fixed tariff.

Rentals are recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Interest earned on investments is recognised in the Statement of Financial Performance on the effective interest rate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant creditor, if the grant conditions indicate that interest is payable to the funder.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Revenue from the sale of goods is recognised when **all** the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The income for agency services recognised is commission in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the legal entitlement to this revenue arises. A calculation of fines to be received is made at year-end based on the average collection rate of the past three years.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.31 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.32 Unauthorised Expenditure

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:

- Overspending of the total amount appropriated in the municipality's approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, municipality, or organ of state otherwise than in accordance with any conditions of the allocation,
- A grant by the municipality otherwise than in accordance with the MFMA.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.33 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy and which has not been condoned in terms of such act or policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.34 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.35 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Notes 2 – 48: Other Notes to Annual Financial Statements

2. HOUSING DEVELOPMENT FUND	2010	2009
	R	R
Balance at beginning of the year	9 854 239	9 989 856
Income	238 122	14 940
Land Sales	27 251	7 440
Housing Letting/Selling Scheme Loans	-	7 500
Interest on investments	210 870	-
Housing Debtors	-	-
Less: Expenditure	1 610 017	150 557
Funding Capital Projects	-	-
Funding Operating Projects	1 610 017	150 557
Total Housing Development Fund assets and liabilities	8 482 344	9 854 239
3. RESERVES		
Capital Replacement Reserve	74 208 578	101 808 566
	<u>74 208 578</u>	<u>101 808 566</u>
The Capital Replacement Reserve is fully funded and invested in ring-fenced financial instruments.		
4. LONG-TERM LIABILITIES		
Local registered stock loans	604,044	656,484
Annuity loans	126,460	320,731
Finance lease liability	3,046,290	3,922,404
Sub-total	3 776 793	4 899 619
Less: Current portion transferred to current liabilities	1 680 995	1 904 602
Local registered stock loans	80 157	160 957
Annuity loans	77 039	239 973
Finance lease liability	1 523 799	1 503 671
Total Long-term Liabilities	2 095 799	2 995 017
<u>Local registered stock loans:</u>		
Local registered stock loans bear interest at rates between 12 and 15 percent per annum and are repayable between one and eight years.		
<u>Annuity loans:</u>		
Annuity loans bear interest at NIL percent. One of these loans was fully redeemed in the 2009/10 financial year and the other will be redeemed in the 2012/13 financial year.		
<u>Finance lease liability:</u>		
Finance lease liabilities relate to vehicles and office equipment with lease terms not more than five years. Finance leases bear interest at rates between 11 and 15 percent. Finance lease liabilities are secured over the items of vehicles and office equipment leased.		
Obligations under Finance leases:		
<u>Finance lease liabilities - Minimum capital lease payments:</u>		
No later than 1 year	1 523 799	1 503 671
Later than 1 year and no later than 5 years	1 487 666	3 282 375
Later than 5 years	-	-
	3 011 465	4 786 046
Future finance charges on finance leases	34 825	(863 642)
	<u>3 046 290</u>	<u>3 922 404</u>
<u>The present value of finance lease liabilities is as follows:</u>		
No later than 1 year	1 523 799	1 503 671
Later than 1 year and no later than 5 years	1 522 491	2 418 733
Later than 5 years	-	-
	<u>3 046 290</u>	<u>3 922 404</u>

Refer to Appendix A for more detail on long-term liabilities and the unamortised discount on these liabilities.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

5. NON-CURRENT PROVISIONS	2010 R	2009 R
Rehabilitation of Landfill sites	1 153 584	621 000
Clearing of Alien Vegetation	2 757 663	4 100 000
	<u>3 911 247</u>	<u>4 721 000</u>
Less: Transfer to Current Provisions	2 253 584	1 939 875
Rehabilitation of Landfill sites	553 584	75 000
Clearing of Alien Vegetation	<u>1 700 000</u>	<u>1 864 875</u>
Total Non-Current Provisions	1 657 663	2 781 125
Rehabilitation of Landfill sites	<u>600 000</u>	<u>546 000</u>
Clearing of Alien Vegetation	<u>1 057 663</u>	<u>2 235 125</u>

The movement in non-current provisions are reconciled as follows:

	<u>Alien Vegetation</u>	<u>Rehabilitation of Landfill Sites</u>
30 June 2010		
Balance at beginning of year	2 235 125	546 000
Contribution to provisions	-	532 584
Reduction in carrying amount of provision	(16 253)	-
Reversal of unused amounts from current provision	538 791	75 000
Transfer to current provision	<u>(1 700 000)</u>	<u>(553 584)</u>
Balance at end of year	<u>1 057 663</u>	<u>600 000</u>
30 June 2009		
Balance at beginning of year	-	-
Contribution to provisions	4 100 000	621 000
Reduction in carrying amount of provision	-	-
Reversal of unused amounts from current provision	-	-
Transfer to current provision	<u>(1 864 875)</u>	<u>(75 000)</u>
Balance at end of year	<u>2 235 125</u>	<u>546 000</u>

5.1 REHABILITATION OF LANDFILL SITES

Provision is made in terms of the Municipality's licensing stipulations of the landfill sites for the rehabilitation of these sites. The provision has been determined on the basis of a recent independent study. The payment dates of total closure and rehabilitation are uncertain, but are expected to be between 2011 and 2015.

5.2 CLEARING OF ALIEN VEGETATION

Provision is made in terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) for the clearing of alien vegetation as settlement of the obligations in respect of this Act.

6. EMPLOYEE BENEFITS

Post Employment Health Care Benefits	74 831 908	62 153 859
Ex-Gratia Pensioners	924 867	899 085
Long Service Awards	6 463 589	5 969 984
	<u>82 220 364</u>	<u>69 022 928</u>
Less: Transfer to Current liability	3 334 688	2 732 473
Post Employment Health Care Benefits	2 316 852	1 895 700
Ex-Gratia Pensioners	110 661	109 148
Long Service Awards	<u>907 175</u>	<u>727 625</u>
Total Non-Current liability	78 885 677	66 290 455
Post Employment Health Care Benefits	72 515 056	60 258 159
Ex-Gratia Pensioners	814 207	789 937
Long Service Awards	<u>5 556 414</u>	<u>5 242 359</u>

The movement in Employee benefits are reconciled as follows:

	<u>Post Empl Health care Benefits</u>	<u>Ex-Gratia Pensioners</u>	<u>Long Service Awards</u>
30 June 2010			
Balance at beginning of year	62 153 859	899 085	5 969 984
Contribution to provisions			
Interest Cost	5 588 328	75 534	509 949
Service cost & transitional liability	4 042 131		784 081
Benefit payments (Expenditure incurred)	(2 233 539)	(108 749)	(716 588)
Actuarial loss / (gain)	5 281 129	58 998	(83 859)
Transfer to current provision	<u>(2 316 852)</u>	<u>(110 661)</u>	<u>(907 175)</u>
Balance at end of year	<u>72 515 056</u>	<u>814 207</u>	<u>5 556 414</u>

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

	<u>Post Empl Health care Benefits</u>	<u>Ex-Gratia Pensioners</u>	<u>Long Service Awards</u>
30 June 2009			
Balance at beginning of year	62 958 269	1 003 461	4 346 643
Contribution to provisions			
Interest Cost	6 625 759	81 893	347 731
Service cost & transitional liability	1 126 375		388 192
Benefit payments (Expenditure incurred)	(2 011 518)	(105 581)	(523 059)
Actuarial loss / (gain)	(6 545 026)	(80 688)	1 410 476
Transfer to current provision	(1 895 700)	(109 148)	(727 625)
Balance at end of year	60 258 159	789 937	5 242 359

DEFINED BENEFIT PLAN INFORMATION

6.1 POST EMPLOYMENT HEALTH CARE BENEFITS

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The Projected Unit Credit Method has been used to value the liabilities. The liability for in-service members is accrued over their expected working lifetimes. The expected remaining working-lifetime of eligible employees is 17.9 years.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2010	2009
- In-service members	461	471
- Continuation members	97	93
Total	558	564

The unfunded liability in respect of past service has been estimated as follows:

	2010	2009
	R	R
- In-service members	38 942 555	31 650 601
- Continuation members	35 889 353	30 503 258
	74 831 908	62,153,859

Summary of In-service members:

	2010	2009
Number of Principal members	481	471
Proportion Male	72%	73%
Average age of members	42.2	41.1
Average past service	10.0	8.2
Average retirement subsidy in today's terms	R 1,217	R 1,134

Summary of Continuation members:

	2010	2009
Number of Principal members	97	93
Proportion Male	56%	51%
Average age of members	65.4	64.4
Average Employer Contribution p.m.	R 1,985	R 1,699

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas;
- Hosmed;
- LA Health;
- Key Health;
- Samwumed.

6.1.1 Results of Valuation:

1) Accrued Liability

	2010 R'000	2009 R'000
In-service members	38.943	31.651
Continuation members	35.889	30.503
All members		
Total Value of liabilities	74.832	62.154
Value of assets	0.000	0.000
Unfunded Accrued Liability	74.832	62.154

The total liability has increased by 20% or R12.678 million since the last valuation.

The total in-service member liability has increased by 23% due to increases in the average age, increased in the average past service and the average future employer contribution has increased by more than expected. This has been offset by an increase in the net discount rate.

The total continuation member liability has increased by 18% due to an increase in the average employer contribution, offset by an increase in the average age and an increase in the net discount rate.

2) Current-Service and Interest Costs

	2010	2009
Current-service Cost (In-service members)	4 042 131	1 126 375
Interest Cost (All members)	5 588 328	8 625 759
Total Cost	9 630 459	7 752 134

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

3) Actuarial gains and losses

Actuarial (Gain)/Loss for the period	5 281 129	(6 550 903)
Contribution to Actuarial Loss:		
Basis changes : Decrease in net discount rate	(6 799 136)	(3 363 134)
Benefits paid higher than expected	337 839	-
Contribution increases higher than assumed	4 679 441	2 183 307
Continuation member's genders different from assumed	2 068 907	-
Changes to Membership profile different from assumed	4 994 078	(5 371 078)
	5 281 129	(6 550 903)

The genders of the continuation members were unknown in the previous valuation. In this valuation, actual genders were available. Using actual genders accounted for a large amount of the actuarial loss.

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012
Opening Accrued Liability	62 153 859	74 831 908	82 828 984
Current-service Cost	4 042 131	3 589 550	3 917 066
Interest Cost	5 588 328	6 724 378	7 446 579
Contributions (Benefit payments)	(2 233 539)	(2 316 852)	(2 484 085)
Total Annual Expense	7 396 920	7 997 076	8 879 560
Actuarial Loss / (Gain)	5 281 129		
Closing Accrued Liability	74 831 908	82 828 984	91 708 544

6.1.2 Key actuarial assumptions used:

1) Key financial assumptions

i) Rate of interest

Discount Rate	9.12%	9.13%
Health Care Cost Inflation Rate	7.22%	7.80%
Net Effective Discount Rate	1.78%	1.24%

2) Key demographic assumptions

i) Mortality rates

The PA 90-1 ultimate Mortality table was used by the actuaries for post-retirement and the SA 85-90 Mortality table was used for current employment.

ii) Average retirement age

The average retirement age for employees of the municipality is 60 years.

iii) Withdrawal from service

If an in-service member leaves, the employer's liability in respect of that member ceases. A sample of the assumed withdrawal rates is as follows:

Age	Females	Males
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
> 55	0%	0%

iv) Other assumptions

It is assumed that 95% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

It is also assumed that 95% of those in-service members who remain on the health care arrangements will be married at retirement. Further, it was assumed that in-service husbands will be four years older than their wives.

6.1.3 The amounts recognised in the Statement of Financial Position are as follows:

	2010 R	2009 R
Present value of fund obligations	74 831 908	62 153 859
Fair value of plan assets	-	-
Unfunded Accrued Liability	74 831 908	62 153 859
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	74 831 908	62 153 859

The municipality had elected to recognise the full increase in this defined benefit liability immediately, as per IAS 19 *Employee Benefits*, paragraph 155(a).

6.1.4 The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	4 042 131	1 126 375
Interest cost	5 588 328	6 625 759
Actuarial losses/ (gains)	5 281 129	(6 553 051)
Vested past service cost		
Total included in employee related costs (Note 28)	14 911 588	1 199 083

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

6.1.5 History of Liabilities, Assets and Experience Adjustments

i) Present value of accrued liability and Fair value of plan assets

The accrued liabilities and the plan assets for the current and previous year is stated above under the amounts recognised in the Statement of Financial Position. At 30 June 2007 the accrued liabilities was R56 577 million and at 30 June 2008 it was R62 958 million.

ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments for the current period is as follows:

	2010 R'000	2009 R'000
Plan liabilities (Gain) / Loss	12.080	3.188
Plan assets	-	-

6.1.6 Sensitivity Analysis:

Sensitivity Analysis on the Unfunded Accrued Liability:

Assumptions	Change	Liability (R'000)	% Change
Central assumptions		74.832	
Health Care inflation	+1%	87.238	17%
Health Care inflation	-1%	64.760	-13%
Post-retirement mortality	-1 yrs	77.153	3%
Average retirement age	-1 yrs	77.956	4%
Withdrawal rate	-50%	78.788	5%

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30 June 2010:

Assumptions	Change	Total (R'000)	% Change
Central assumptions		9 630 400	
Health Care inflation	+1%	11 512 500	17%
Health Care inflation	-1%	8 140 000	-13%
Post-retirement mortality	-1 yrs	9 940 400	3%
Average retirement age	-1 yrs	9 933 300	4%
Withdrawal rate	-50%	10 520 400	5%

6.2 EX-GRATIA PENSIONERS

The Ex-Gratia Pensioner Benefit Plan is a defined benefit plan. As at 30 June 2010, 13 pensioners (14 pensioners as at 30 June 2009) were eligible for payments in terms of this plan.

The Municipality provides pension benefits to all employees that are not members of the Pension - or Provident Funds, that have completed at least 10 years of service at the Council and have reached the age of 60. The benefit is calculated according to the average annual salary earned during the last year of service multiplied by number of years of service, divided by 60.

All pensioners receive annually increasing monthly pension amounts until death. There is a 60% contingent pension payable to a spouse upon the pensioner's death.

The contribution rate payable is as follows:

For continuation members, the member contribution is 70% and the Council contribution is 30%. For current employees the contribution rate is 80/40.

6.2.1 Results of Valuation:

1) Accrued Liability

	2010 R	2009 R
Total Value of liabilities	924 867	899 085
Value of assets	-	-
Unfunded Accrued Liability	924 867	899 085

The total liability has increased by 3% or R25 781 due to the a decrease in the net discount rate and increase in the average annual pension. This has been partly offset by an increase in the average age.

2) Current-Service and Interest Costs

Total Interest Costs	72 919	75 534
----------------------	--------	--------

Actuaries are of opinion that there is no Current-service Cost as there are no in-service members eligible for ex-gratia pension benefits.

3) Actuarial gains and losses

Actuarial (Gain)/Loss for the period	58 998	(72 683)
Contribution to Actuarial Loss:		
Basis changes	15 323	(84 455)
Benefits paid lower than expected	(397)	52 717
Changes to Membership profile different from assumed	44 072	(40 925)
	58 998	(72 663)

There has been a membership loss due to slightly different date of birth information than as at the previous valuation, as well as more information about the existence of spouses than as at the previous valuation. This has been partially offset by the exit of Mr Oliver.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012
Opening Accrued Liability	899 085	924 867	887 124
Current-service Cost	-	-	-
Interest Cost	75 534	72 919	65 878
Benefit payments	(108 749)	(110 661)	(113 453)
Total Annual Expense	(33 215)	(37 742)	(47 575)
Actuarial Loss / (Gain)	58 997	-	-
Closing Accrued Liability	924 867	887 125	839 549

6.2.2 Key actuarial assumptions used:

2010 2009

1) Key financial assumptions

i) Rate of interest

Discount Rate	7.92%	8.44%
Pension increase rate	2.52%	2.78%
Post retirement discount rate	5.27%	5.51%

2) Key demographic assumptions

i) Mortality rates

The PA(90)-1 mortality table was used by the actuaries.

6.2.3 The amounts recognised in the Statement of Financial Position are as follows:

	2010 R	2009 R
Present value of fund obligations	924 767	899 085
Fair value of plan assets	-	-
Unfunded Accrued Liability	924 767	899 085
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	924 767	899 085

The municipality had elected to recognise the full increase in this defined benefit liability immediately, as per IAS 19 *Employee Benefits*, paragraph 155(a).

6.2.4 The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	-	-
Interest cost	75 534	81 893
Actuarial losses/ (gains)	58 998	(72 663)
Vested past service cost	-	-
Total included in employee related costs (Note 28)	134 532	9 230

6.2.5 History of Liabilities, Assets and Experience Adjustments:

1) Present value of accrued liability and Fair value of plan assets

The accrued liabilities and the plan assets for the current and previous year is stated above under the amounts recognised in the Statement of Financial Position. At 30 June 2007 the accrued liabilities was R1 030 000 and at 30 June 2008 it was R1 003 481.

2) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

Plan liabilities (Gain) / Loss	43 673	11 793
Plan assets	-	-

6.2.6 Sensitivity analysis:

Sensitivity Analysis on the Unfunded Accrued Liability:

Assumptions

Change	Liability	% Change
Central assumptions	924 867	
Pension Increase rate +1%	993 599	7%
Pension Increase rate -1%	863 535	-7%
Post-retirement mortality -1 yr	955 878	3%

Sensitivity Analysis on the Interest Costs for the year ending 30 June 2010:

Assumptions

Change	Interest cost	% Change
Central assumptions	75 500	
Pension Increase rate +1%	81 200	8%
Pension Increase rate -1%	70 500	-7%
Post-retirement mortality -1 yr	78 000	3%

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

6.3 LONG SERVICE AWARDS

The Long Service Awards plan is a defined benefit plan. As at 30 June 2010, 837 employees (815 employees as at 30 June 2009) were eligible for Long Service Awards. The expected remaining working-lifetime of eligible employees is 17.8 years.

The Municipality offers employees Long Service Awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

The following table describes the benefits awarded:

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
10	4.0%	10 / 250 x annual salary
15	8.0%	20 / 250 x annual salary
20, 25, 30, 35, 40, 45	12.0%	30 / 250 x annual salary

Working days awarded are valued at 1/250th of annual salary per day. In the month that each "completed service" milestone is reached, the employee is granted a LSA.

The valuation makes allowance for the minimum benefits mentioned in the South African Local Government Bargaining Council's Collective Agreement on Conditions of Service, which was signed on 4 June 2009 and which sets out minimum benefits for the period 1 June 2009 through 31 December 2012, inclusive. There are some former Great Brak River employees who receive the LSA policy outlined in the collective agreement, the remaining staff receive the policy outline above.

6.3.1 Results of Valuation:

1) Accrued Liability

	2010 R	2009 R
Total Value of liabilities	6 463 589	5 969 984
Value of assets	-	-
Unfunded Accrued Liability	6 463 589	5 969 984

The total liability has increased by 8% or R493 605 due to increases in the average salary and average past service and because the number of employees has increased. This has been offset by an increase in the average age and an increase in the net discount rate.

2) Current-Service and Interest Costs

Current-service Cost	784 081	388 192
Interest Cost	509 949	347 731
Total Cost	1 294 030	735 923

3) Actuarial gains and losses

Actuarial (Gain)/Loss for the period	(83 859)	1 665 225
Contribution to Actuarial Loss:		
Basis changes : Increase in net discount rate	(178 923)	(182 799)
Benefits paid lower than expected	(11 059)	-
Salary increases higher than assumed	102 754	811 419
Changes to Membership profile different from assumed	3 369	1 036 605
	(83 859)	1 665 225

There are more members than expected at this valuation resulting in a membership loss. However, the average past-service has been lower than expected and this has partially offset this membership loss to a negligible amount.

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012
Opening Accrued Liability	5 969 984	6 463 589	6 962 533
Current-service Cost	784 081	871 207	948 623
Interest Cost	509 949	534 912	573 157
Benefit payments	(716 566)	(907 175)	(1 047 270)
Total Annual Expense	577 464	498 944	474 510
Actuarial Loss / (Gain)	(83 859)		
Closing Accrued Liability	6 463 589	6 962 533	7 437 043

6.3.2 Key actuarial assumptions used:

1) Key financial assumptions

i) Rate of Interest

	2010	2009
Discount rate	8.89%	9.08%
Salary Inflation Rate	6.30%	6.61%
Net Effective Discount Rate	2.43%	2.32%

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

2) Key demographic assumptions

i) Mortality rates

The SA 85-90 Mortality table was used by the actuaries for current employment.

ii) Average retirement age

The average retirement age for employees of the municipality is 60 years.

iii) Withdrawal from service

If an in-service member leaves, the employer's liability in respect of that member ceases. A sample of the assumed withdrawal rates is as follows:

Age	Females	Males
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
55	0%	0%

6.3.3 The amounts recognised in the Statement of Financial Position are as follows:

	2010 R	2009 R
Present value of fund obligations	6 463 589	5 969 984
Fair value of plan assets	-	-
Unfunded Accrued Liability	6 463 589	5 969 984
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	6 463 589	5 969 984

The municipality had elected to recognise the full increase in this defined benefit liability immediately, as per IAS 19 *Employee Benefits*, paragraph 155(a).

6.3.4 The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	784 081	388 192
Interest cost	509 949	347 731
Actuarial losses/ (gains)	(83 859)	1 665 225
Vested past service cost	-	-
Total included in employee related costs (Note 28)	1 210 171	2 401 148

6.3.5 History of Liabilities, Assets and Experience Adjustments:

i) Present value of accrued liability and Fair value of plan assets

The accrued liabilities and the plan assets for the current and previous year is stated above under the amounts recognised in the Statement of Financial Position. At 30 June 2007 the accrued liabilities was R3 935 469 and at 30 June 2008 it was R4 346 643.

ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	2010 R	2009 R
Plan liabilities (Gain) / Loss	95 064	1 848 024
Plan assets	-	-

6.3.6 Sensitivity Analysis:

Sensitivity Analysis on the Unfunded Accrued Liability:

Assumptions	Change	Liability (R'000)	% Change
Central assumptions		6.464	
General salary inflation	+1%	6.820	6%
General salary inflation	-1%	6.137	-5%
Average retirement age	-2 yrs	5.790	-10%
Average retirement age	+2 yrs	7.140	10%
Withdrawal rates	-50%	7.565	17%

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30 June 2010:

Assumptions	Change	Total	% Change
Central assumptions		1 294 030	
General salary inflation	+1%	1 367 973	6%
General salary inflation	-1%	1 227 170	-5%
Average retirement age	+2 yrs	1 391 125	8%
Average retirement age	-2 yrs	1 183 310	-9%
Withdrawal rates	-50%	1 521 805	18%

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

6.4 INFORMATION ABOUT THE MUNICIPALITY'S OTHER RETIREMENT FUNDS

The personnel of the Mosselbay Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund and Cape Retirement Fund are defined benefit plans, whereas the Municipal Councillors Fund and the Provident Fund are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers, and no regard is paid to differences in the membership distribution of the

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

CAPE JOINT PENSION FUND

The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. The last valuation performed for the year ended 30 June 2009 (30 June 2008) revealed that the fund had an actuarial surplus of R118,73 million with a funding level of 100% (106,5%), and is in a sound financial state as at 30 June 2009. The valuation also revealed that the fund had a solvency reserve of R220,61 million as at 30 June 2009.

CAPE RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2009 (30 June 2008) revealed that the fund had an actuarial surplus of R119,95 (R42,93) million with a funding level of 131,9% (112,2%). Certified in a sound financial position as at 30 June 2009.

SALA PENSION FUND

The fund has been certified in a sound financial position as at 1 July 2006 and has improved to a position where it is now 100% funded. It should be noted that the rule amendments giving effect to the changes as at 1 July 2003 in terms of the previous Scheme of Arrangement have been approved. Although these rule amendments were fully backdated, there is a risk that some benefit payments may still be necessary in terms of the precedent set by the Adjudicator's ruling that a member was underpaid in a specific instance. Provision for this eventuality has been made in the financial account of the Fund. The Council is contributing an additional 2,71% to the fund as from 1 July 2005 effective from July 2003.

MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The financial statements of the fund have not been audited since June 2006 and the financial position of the fund is not available.

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

The contribution rate payable is 5% by the members and not less than 12% by Council. The last valuation performed for the year ended 30 June 2005, certified that the fund is in a sound financial state.

7. NON-CURRENT DEPOSITS

Santos Pavilion Repair Fund

Balance at beginning of year
Contributions during the year
Interest on Investment
Expenditure during the year

2010 R	2009 R
202 289	185 909
-	-
9 968	16 380
-	-
<u>212 257</u>	<u>202 289</u>

This fund was created after the Pavilion burnt down a number of years ago. An entrepreneur restored the pavilion to its original form in exchange for a 99-year lease at a reasonable rent. It was also a condition that he should make available an amount of R100,000 to the council as an investment. Interest earned may be used by Council for the maintenance of the building should he fail to do it himself.

8. CONSUMER DEPOSITS

Electricity
Water
Total consumer deposits

5 586 647	5 030 679
4 574 651	4 438 186
<u>10 161 299</u>	<u>9 468 865</u>
 Guarantees held in lieu of electricity deposits	
<u>10 000</u>	<u>10 000</u>

Guarantees held in lieu of electricity were R10 000 for 2010 (R10 000 for 2009) which is included in the total consumer deposits of R10 161 299 in 2010 (R9 468 865 in 2009). No interest accrues on consumer deposits.

Refer to Notes 36.1 for detail regarding the restatement of previous year balances.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

9. PROVISIONS (CURRENT PORTION)

Rehabilitation of Landfill sites	553 584	75 000
Clearing of Alien Vegetation	1 700 000	1 865 000
Illegal Dumping	-	-
Pension Fund investment shortfall	4 171 742	-
Total Provisions	6 425 326	1 940 000

The movement in current provisions are reconciled as follows:

Rehabilitation of Landfill sites

Balance at beginning of year	75 000	-
Transfer from non-current	553 584	75 000
Contributions to provisions	-	-
Unused amount reversed to non-current provision	(75 000)	-
Expenditure incurred	-	-
Balance at end of year	553 584	75 000

Clearing of Alien Vegetation

Balance at beginning of year	1 865 000	50 000
Transfer from non-current	1 700 000	1 864 875
Contributions to provisions	-	-
Unused amount reversed to non-current provision	(538 791)	-
Expenditure incurred	(1 326 209)	(49 875)
Balance at end of year	1 700 000	1 865 000

Illegal Dumping

Balance at beginning of year	-	25 000
Transfer from non-current	-	-
Contributions to provisions	-	-
Expenditure incurred	-	(25 000)
Balance at end of year	-	-

Pension Fund investment shortfall

Balance at beginning of year	-	-
Transfer from non-current	-	-
Contributions to provisions	4 171 742	-
Expenditure incurred	-	-
Balance at end of year	4 171 742	-

Rehabilitation of Landfill sites:

This is the current portion which is due of the non-current provision. (refer note 5)

Clearing of Alien Vegetation:

This is the current portion which is due of the non-current provision. (refer note 5)

Illegal Dumping:

Provision has been made to clean-up for Illegal Dumping costs for unlawful environmental damage. No provision is made in the 2008/09 financial year, seeing as the backlogs for clean-up of Illegal Dumping has been cleared and the clean-up of Illegal Dumping is now funded out of the operational budget of the municipality as normal maintenance.

Pension Fund investment shortfall:

Local authorities associated with the Cape Joint Pension Fund are under an obligation to contribute pro rata to the Fund such a sum as will make up for any shortfall between actual earnings and an investment return of 5,5% on all its assets. The Fund's actuary has calculated a shortfall in the investments returns in respect of defined benefits component. Mossel Bay Municipality is liable for a pro rata payment to the Fund in the sum of R4 171 742.

10. TRADE AND OTHER PAYABLES

Trade payables	40 400 524	20 572 228
Payments received in advance	6 008 379	7 890 597
Accrued Expenditure	3 339 316	2 963 283
Performance Bonus accrual	947 958	581 481
Retentions	10 791 183	7 740 812
Staff leave accrual	8 235 139	6 883 331
Other payables	194 789	850 004
Other deposits	5 971 384	5 231 669
Total Trade and other Payables	75 888 671	52 713 405

The fair value of trade and other payables approximates their carrying amounts.

Trade and other payables are normally settled on 30 day terms in accordance with the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice.

Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

Performance Bonuses:

Performance bonuses accrue to employees on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due to staff as at the financial year end.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

11. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

11.1 Conditional grants from spheres of government

Provincial Grants (Note 25)
National Grants (Note 25)
Other Government Grants (Note 25)

2010

2009

R

R

13 720 354

14 295 942

4 343 178

6 879 049

8 998 319

6 811 677

378 858

605 216

11.2 Other conditional receipts

District Municipality
Developers contributions
Public contributions (Note 27)

33 164

65 885

-

-

-

-

33 164

65 885

Total conditional grants and receipts

13 753 518

14 361 827

These amounts are invested in a ring-fenced investment until utilised in terms of section 12 of the MFMA.

Refer to Note 25 for reconciliation of Government Grants & Subsidies and Note 27 for reconciliation of Public Contributions.

Also refer to Appendix F for further detail.

Refer to Note 36.4 for detail regarding the restatement of previous year balances.

12. TAXES

Opening Balance
VAT Payable (output)
VAT Receivable (Input)
Paid to SARS
Total Net VAT Payable

2 326 786

3 436 067

(41 409 019)

(35 848 713)

44 674 362

35 173 200

(3 277 610)

(433 769)

2 314 520

2 326 786

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over SARS.

13. PROPERTY, PLANT & EQUIPMENT

As at 30 June 2009

	Cost	Accumulated Depreciation	Carrying Value
	R	R	R
Land	300 693 163	-	300 693 163
Buildings	124 447 208	29 397 794	95 049 414
Infrastructure	534 332 806	155 755 285	378 577 541
Community	70 983 068	15 118 128	55 864 939
Other	51 334 813	21 780 318	29 554 495
Total	1081 791 057	222 051 506	859 739 551

As at 30 June 2010

	Cost	Accumulated Depreciation	Carrying Value
	R	R	R
Land	301 200 782	-	301 200 782
Buildings	127 866 290	33 603 248	94 263 041
Infrastructure	663 966 338	167 265 546	496 700 792
Community	75 138 254	17 752 793	57 385 462
Other	59 160 275	28 257 202	30 903 073
Total	1227 331 938	246 878 789	980 453 150

Refer to Appendix B and C for more detail.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

PROPERTY, PLANT AND EQUIPMENT										
30 June 2010										
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Housing Development Fund	Leased Infrastructure	Intangible Assets	Investment property	Total
	R	R	R	R	R	R	R	R		R
Carrying values at 1 July 2009	395 742 577	281 988 261	55 864 939	-	26 222 106	-	3 332 148	441 981	503 157 648	1266 749 659
Cost	306 583 911	437 743 527	70 983 067	-	45 731 699	-	5 602 867	1 171 103	516 850 453	1384 666 628
Adjustments/Correction of error	118 556 459	-	-	-	-	-	-	-	(11 174 500)	107 381 959
Accumulated depreciation	29 397 793	155 755 266	15 118 128	-	19 509 593	-	2 270 720	729 122	2 518 305	225 298 927
-cost/impairment loss	28 815 643	147 148 392	15 118 128	-	19 807 439	-	2 270 720	729 122	2 270 005	216 159 450
-Correction of error	582 150	8 606 874	-	-	(297 846)	-	-	-	248 300	9 139 478
Acquisitions	1 892 428	121 465 211	4 155 187	-	8 631 144	-	673 857	-	-	136 817 827
Adjustment during the year	-	-	-	-	-	-	-	-	-	-
Capital under construction	2 034 272	104 842 025	-	-	-	-	-	-	-	106 876 298
Increases/decreases in revaluation	-	-	-	-	-	-	-	-	97 661 960	97 661 960
Depreciation	4 205 454	11 534 322	2 634 665	-	6 136 975	-	1 464 112	154 471	-	26 129 999
-based on cost	4 240 331	11 534 322	2 634 665	-	6 113 024	-	1 464 112	159 152	-	26 145 606
-based on revaluation	(34 877)	-	-	-	23 951	-	-	(4 680)	-	(15 607)
Carrying value of disposals	-	60 385	-	-	331 902	-	23 187	-	1 255 000	1 670 474
Cost/revaluation	-	84 426	-	-	1 260 449	-	218 844	-	1 255 000	2 818 719
Accumulated depreciation	-	24 041	-	-	928 547	-	195 656	-	-	1 148 245
Impairment losses	-	-	-	-	-	-	-	-	186 421 240	-
Other movements	-	-	-	-	-	-	-	-	-	-
Carrying values at 30 June 2010	395 463 824	496 700 791	57 385 461	-	28 384 373	-	2 518 705	287 509	413 143 368	1393 884 031
Cost	310 510 612	663 966 338	75 138 254	-	53 102 393	-	6 057 881	1 171 103	613 257 413	1723 203 994
Adjustments/Correction of error	118 556 459	-	-	-	-	-	-	-	(11 174 500)	107 381 959
Accumulated depreciation	33 603 247	167 265 547	17 752 793	-	24 718 020	-	3 539 176	883 594	188 939 545	436 701 922
-cost	33 021 097	158 658 673	17 752 793	-	25 015 867	-	3 539 176	883 594	188 691 245	427 562 445
-Correction of error	582 150	8 606 874	-	-	(297 846)	-	-	-	248 300	9 139 478

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

PROPERTY, PLANT AND EQUIPMENT										
30 June 2009										
Reconciliation of Carrying Value	Land & Buildings	Infrastructure	Community	Heritage	Other	Housing Development Fund	Leased Infrastructure	Intangible Assets	Investment Property	Total
	R	R	R	R	R	R	R	R		R
Carrying values at 1 July 2008	395 982 189	245 621 953	57 511 011	-	24 818 517	-	2 728 792	596 452	503 217 648	1230 476 562
Cost	302 747 878	391 583 403	70 070 050	-	39 959 136	-	4 774 967	1 171 103	516 910 453	1327 216 991
Adjustments/Correction of error	118 556 459	-	-	-	-	-	-	-	(11 174 500)	107 381 959
Accumulated depreciation	25 322 148	145 961 450	12 559 039	-	15 140 619	-	2 046 175	574 651	2 518 305	204 122 388
-cost/impairment loss	24 739 998	137 354 576	12 559 039	-	15 438 465	-	2 046 175	574 651	2 270 005	194 982 910
-Correction of error	582 150	8 606 874	-	-	(297 846)	-	-	-	248 300	9 139 478
Acquisitions	3 915 698	46 160 125	913 017	-	7 085 338	-	1 838 944	-	-	59 913 121
Adjustment during the year	-	-	-	-	-	-	-	-	-	-
Capital under construction	-	96 589 278	-	-	-	-	-	-	-	96 589 278
Increases/decreases in revaluation	-	-	-	-	-	-	-	-	-	-
Depreciation	4 094 455	9 793 816	2 559 089	-	5 230 795	-	1 235 588	154 471	-	23 068 214
-based on cost	4 136 085	9 793 816	2 559 089	-	5 472 191	-	1 235 588	170 036	-	23 366 804
-based on revaluation	(41 631)	-	-	-	(241 395)	-	-	(15 564)	-	(298 590)
Carrying value of disposals	60 856	-	-	-	450 953	-	1	-	60 000	571 810
Cost/revaluation	79 665	-	-	-	1 312 775	-	1 011 044	-	60 000	2 463 484
Accumulated depreciation	18 810	-	-	-	861 822	-	1 011 043	-	-	1 891 674
Impairment losses	-	-	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	-	-
Carrying values at 30 June 2009	395 742 577	281 988 262	55 864 939	-	26 222 106	-	3 332 148	441 981	503 157 648	1266 749 659
Cost	306 583 911	437 743 527	70 983 067	-	45 731 699	-	5 602 867	1 171 103	516 850 453	1384 666 628
Adjustments/Correction of error	118 556 459	-	-	-	-	-	-	-	(11 174 500)	107 381 959
Accumulated depreciation	29 397 793	155 755 266	15 118 128	-	19 509 593	-	2 270 720	729 122	2 518 305	225 298 927
-cost	28 815 643	147 148 392	15 118 128	-	19 807 439	-	2 270 720	729 122	2 270 005	216 159 450
-Correction of error	582 150	8 606 874	-	-	(297 846)	-	-	-	248 300	9 139 478

Changes in useful lives occurred during the financial year under review. The impact of the change in useful lives were as follow:

Depreciation decreased as follows:

Other assets	23,951
Leased assets	-
Intangible assets	-4,680
Buildings	-34,877
	<u>-15,607</u>

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

14. INTANGIBLE ASSETS	2010 R	2009 R
Carrying values at the beginning of the year	441 734	596 205
Cost	1 170 857	1 170 857
Accumulated amortisation	(729 124)	(574 652)
Acquisitions	-	-
Disposals	-	-
Amortisation	(154 471)	(154 471)
Amortisation written back on disposals	-	-
Carrying values at the end of the year	287 262	441 734
Cost	1 170 857	1 170 857
Accumulated amortisation	(883 595)	(729 124)

The municipality does not have any internally generated intangible assets.

15. INVESTMENT PROPERTY		
Carrying values at the beginning of the year	503 157 653	503 217 653
Cost	503 157 653	503 217 653
Acquisitions	-	-
Revaluation	-88,759,280	-
Disposals	-1,255,000	-60,000
Carrying values at the end of the year	413 143 373	503 157 653
Cost	413 143 373	503 157 653

Investment property is property held to earn rentals or for capital appreciation or both, such as Land held for long-term capital appreciation or Vacant land held for undecided future use. Revenue earned from Investment Property is disclosed in the Statement of Financial Performance. The Investment Property is carried at fair value.

The fair value of investment property is based on a valuation done by an independent valuator who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property.

The valuator did the valuation by applying standard valuation techniques, e.g. comparable sales or development cost models according to the nature of each property. Research was done by ways of Deeds and Surveyor general searches and sale trends in the property market of Mossel Bay.

16. LONG-TERM RECEIVABLES		
Long-term receivables:	3 658 617	3 972 674
Car Loans	(0)	46 643
Study Loans	165 724	107 150
Land Sales Debtors	33 158	34 707
Public Assistance Loans	375 243	424 546
Housing Selling Scheme Loans	3 084 493	3 359 628
Less: Current portion transferred to current receivables	409 954	523 929
Car Loans	-	46 643
Land Sales Debtors	1 437	642
Public Assistance Loans	80 157	175 226
Housing Selling Scheme Loans	328 360	301 418
Less: Provision for Impairment of long-term receivables	1 061 230	2 227 709
Housing Selling Scheme Loans	1 061 230	2 227 709
Total	2 187 433	1 221 037
Reconciliation of Impairment of Long-term receivables		
Balance at beginning of year	2 227 708	2 163 910
Contribution to / (Reversal from) provision	(1 166 478)	862 683
Bad Debts written off / recovered	-	(798 885)
Balance at end of year	1 061 230	2 227 708

Outstanding Land Sales debtors and Housing selling scheme loans were summarised in scheme numbers. A payment % report was also drawn from the system per suburb, as the report can not be drawn per scheme, and vice versa. A Payment % of 66.26 % was established and a provision for impairment was made for 33.74%. No provision for impairment to be recognised for car, study and public assistance loans.

Loans to Employees (Car, Study and Computer loans)

Staff were entitled to various loans e.g. car loans which attract interest at 8% per annum and which were payable over a maximum period of 6 years. These loans were granted before the implementation of the MFMA and the last of the loans were repaid at May 2010.

Land Sales

Loans were granted to qualified individuals by Council. These loans attract interest at market-related interest rates.

Public assistance loans

To facilitate the development of sporting facilities, loans were made to provide the necessary financial assistance. These attract interest at a rate of 8% to 15% per annum and are repayable over a maximum period of 15 years.

Housing Selling Scheme Loans

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest at a rate determined by the National Minister of Housing.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

17. INVENTORY	2010 R	2009 R
Consumable stores - at cost	448 819	348 945
Maintenance materials - at cost	5 257 503	4 324 194
Meters	266 642	210 363
Spare parts	9 258	5 240
Purification Materials	1 068 029	312 581
Unsold properties held for resale	4 778 639	5 830 288
Water purification	189 183	175 118
Total inventory	12 018 074	11 206 728

Inventory 2009/10 = R7 239 435 (R5 376 441 in 2008/09). Unsold properties held for sale transferred to inventory in 2009/10 = R 4 778 639 (R5 830 286 in 2008/09). Total inventory 2009/10 = R12 018 074

Inventory to the value of R19 849 (R35 251 in 2008/09) was written off during this financial year.

18. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2010

	Gross Balance s	Provision for Impairment	Net Balance
Service debtors	48 473 027	11 591 005	34 882 022
Electricity	11 502 714	886 556	10 616 158
Water	13 399 291	4 159 281	9 240 010
Refuse	4 953 577	1 285 690	3 667 887
Sewerage	16 617 445	5 259 478	11 357 967
Debtback Collections	1 730 374	1 728 067	2 308
Land Sales	19 682	16 143	3 539
Housing Instalments	1 232 397	643 456	588 942
Housing rentals	294 290	59 840	234 450
Other	1 148 675	771 480	377 195
Total	50 898 445	14 809 990	36 088 455

As at 30 June 2009

Service debtors	44 039 814	14 357 924	29 681 891
Electricity	10 825 997	587 622	10 238 375
Water	12 707 177	5 101 255	7 605 921
Refuse	5 036 484	2 036 578	2 999 907
Sewerage	15 470 157	6 632 469	8 837 888
Debtback Collections	803 816	798 342	5 474
Land Sales	45 478	39 099	6 379
Housing Instalments	1 169 397	609 941	559 456
Housing rentals	296 421	50 324	246 097
Other	958 439	716 829	241 611
Total	47 313 366	16 572 459	30 740 908

Refer to Note 36.3 for detail regarding the restatement of previous year balance.

Electricity, Water, Refuse and Sewerage): Ageing

	2010 R	2009 R
Current (0 -30 days)	19 081 193	18 133 482
31 - 60 Days	2 237 828	1 594 773
61 - 90 Days	1 865 021	1 338 311
91 - 120 Days	1 720 782	1 239 237
121- 365 Days	13 101 064	9 573 885
> 365 Days	8 682 356	12 160 148
Total	46 688 245	44 039 814

Service debtors receivables that are past due as at the end of 2009/10 but not impaired, for less than 30 days is R18 365 588 (2008/09 = R17 653 410) and for more than 30 days is R16 731 652 (2008/09 = R12 028 481).

Debtback Collections

Current (0 -30 days)	269	3 598
31 - 60 Days	37	1 878
61 - 90 Days	4 037	376
91 - 120 Days	1 675	4 187
121- 365 Days	1 386 295	351 634
> 365 Days	338 061	442 145
Total	1 730 374	803 818

Debtback collection receivables that are past due as at the end of 2009/10 but not impaired, for less than 30 days is R269 (2008/09 = R3 596) and for more than 30 days is R2 038 (2008/09 = R1 878).

Housing Instalments

Current (0 -30 days)	25 081	25 917
31 - 60 Days	9 750	10 383
61 - 90 Days	77 439	9 238
91 - 120 Days	8 044	8 680
121- 365 Days	151 655	93 808
> 365 Days	960 428	1 021 574
Total	1 232 397	1 169 397

Housing instalments receivables that are past due as at the end of 2009/10 but not impaired, for less than 30 days is R25 081 (2008/09 = R25 917) and for more than 30 days is R563 861 (2008/09 = R533 539).

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

	2010 R	2009 R
Housing rentals: Ageing		
Current (0 -30 days)	7 110	7 194
31 - 60 Days	2 439	2 859
81 - 90 Days	7 646	2 553
91 - 120 Days	1 768	2 375
121- 365 Days	53 241	82 707
> 365 Days	6 867	198 733
Total	79 071	296 421

Housing rentals receivables that are past due as at the end of 2009/10 but not impaired, for less than 30 days is R7 110 (2008/09 = R7 194) and for more than 30 days is R12 121 (2008/09 = R238 903).

Other		
Current (0 -30 days)	351 699	234 267
31 - 60 Days	25 496	31 770
61 - 90 Days	15 409	33 392
91 - 120 Days	94 069	30 415
121- 365 Days	181 427	263 652
> 365 Days	480 575	364 944
Total	1 148 675	958 439

Other receivables that are past due as at the end of 2009/10 but not impaired, for less than 30 days is R351 699 (2008/09 = R234 267) and for more than 30 days is R25 496 (2008/09 = R7 344).

Land Sales		
Current (0 -30 days)	1 070	1 126
31 - 60 Days	381	427
61 - 90 Days	339	367
91 - 120 Days	311	339
121- 365 Days	2 492	2 162
> 365 Days	15 089	41 056
Total	19 682	45 478

Land sales receivables that are past due as at the end of 2009/10 but not impaired, for less than 30 days is R1 070 (2008/09 = R1 126) and for more than 30 days is R2 469 (2008/09 = R5 253).

Reconciliation of Provision for impairment of trade receivables		
Balance at beginning of year	16 572 459	22 692 597
Contribution to / (Reversal from) provision	8 175 775	7 562 411
Bad Debts written off / recovered	(9 938 243)	(13 682 549)
Balance at end of year	14 809 990	16 572 459

Summary of Trade receivables by Consumer Classification		
Residential	38 763 902	36 595 685
Industrial / Commercial	7 768 192	6 646 334
National / Provincial government	1 357 324	1 181 671
Payments received in Advance	3 009 027	2 889 677
	50 898 445	47 313 368

19. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other Receivables from Non-Exchange transactions:	54 767 575	32 007 241
Rates	8 597 880	6 497 162
Accrued Income	4 655 571	12 952 311
Unauthorised expenditure (see Note 41.1)	-	-
Fruitless & wasteful expenditure (see Note 41.2)	-	-
Government subsidies	515 615	-
Other	40 998 508	12 557 767
Recoverable Expenditure	-	-
Less: Provision for impairment of other receivables	11 597 504	7 479 964
Rates	1 790 161	1 193 471
Other : Operating Balance PAWC (Housing Administration)	9 807 343	6 286 492
Total	43 170 071	24 527 278

Sundry debtors are grouped together in financial assets with similar credit risk characteristics and collectively assessed for impairment. However the "Other Debtors" are individually assessed.

A provision was made for the non-payment of the Operating Balance for Housing costs of 100%.

Rates: Ageing		
Current (0 -30 days)	3 382 157	2 999 122
31 - 60 Days	450 264	305 203
61 - 90 Days	279 929	282 009
91 - 120 Days	262 804	223 999
121- 365 Days	2 655 239	1 738 624
> 365 Days	1 567 488	948 205
Total	8 597 880	6 497 162

Rates receivables that are past due as at the end of 2009/10 but not impaired, for less than 30 days is R3 270 208 (2008/09 = R2 922 644) and for more than 30 days is R3 537 512 (2008/09 = R2 381 047).

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

	2010 R	2009 R
Reconciliation of Provision for impairment of other receivables		
Balance at beginning of year	7 479 964	4 176 100
Contribution to / (Reversal from) provision	4 314 893	3 521 878
Bad Debts written off / recovered	(197 353)	(218 014)
Balance at end of year	11 597 504	7 479 964

Summary of Rates by Consumer Classification		
Residential	5 936 728	4 973 662
Industrial / Commercial	1 703 474	819 223
National / Provincial government	857 099	610 725
Payments received in Advance	100 579	93 552
	8 597 880	6 497 162

20. INVESTMENTS

Short-term Investment deposits	187 000 000	203 000 000
Less: Current portion maturing within next 12 months - refer note 21	187 000 000	203 000 000
	-	-

Investments are made in accordance with the municipality's Cash Management and Investment policy as follows:

- That the broad investment policy framework be applicable
- Investments not be placed with foreign banks
- That council does not make use of the services of investment brokers
- Council's total investment portfolio be invested with banks rated as follows:
 - short-term investments (0 - 12 months) only institutions with an F1 and higher rating be used
 - long-term investments (more than 12 months) only institutions with AA or higher rating be used
- Not more than 50% of the total investments invested with one institution

No investments were written off during the year.

21. CASH AND CASH EQUIVALENTS

Assets		
Petty Cash	13 980	13 980
Bank balances	-	-
Short-term Investment deposits	187 000 000	203 000 000
Total cash and cash equivalents - Assets	187 013 980	203 013 980
Liabilities		
Bank overdraft	(8 270 712)	(1 098 895)
Total cash and cash equivalents - Liabilities	(8 270 712)	(1 098 895)

The municipality has the following bank accounts:

BANK ACCOUNT	Account Numbers		
Primary Bank Account - NEDBANK DEPOSIT ACCOUNT	1626566909	8 269 246	21 508 524
Secondary Bank Account - NEDBANK CHECQUE ACCOUNT	1626566917	-	-
		8 269 246	21 508 524

Bank statement balance at beginning of year	21 508 524	17 488 029
Bank statement balance at end of year	8 269 246	21 508 524

Cash book balance at beginning of year	(1 098 895)	7 529 466
Cash book balance at end of year	(8 270 712)	(1 098 895)

Petty Cash / Float at beginning of year	13 980	10 980
Petty Cash / Float at end of year	13 980	13 980

Mossel Bay Sport Trust:		
Cash book balance at beginning of year	-	15 429
Cash book balance at end of year	-	-

INVESTMENTS: Current portion matures within next 12 months - Refer Note 20	187 000 000	203 000 000
--	-------------	-------------

All accounts are with NEDBANK. The balance of account no. 1626566917 - cheque account, is swept to the main account - Primary bank account no. 1626566909.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

22. OPERATING LEASES

The Municipality as lessee

Operating leases relate to Buildings with lease terms of between one to five years, with an option to extend for a further period. The municipality does not have an option to purchase the leased asset at the expiry of the

In respect of Non-cancellable Operating Leases the following liabilities have been recognised in the Statement of Financial Position:

	2010 R	2009 R
Balance at beginning of year	79,165	19,654
Movement for the year	31,721	59,531
Total Operating Lease Liabilities - as lessee	110 907	79 165

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for buildings, which fall due as follows:

Buildings		
Up to 1 year	1,041,060	903 306
1 to 5 years	765,446	765 975
More than 5 years	-	-
Total Operating Lease arrangements - as lessee	1 626 526	1 669 283

The Municipality as lessor

Operating leases relate to Investment Property owned by the Municipality with lease terms of between one to five years. The lessee does not have an option to purchase the property at the expiry of the lease period.

In respect of Non-cancellable Operating Leases the following assets have been recognised in the Statement of Financial Position:

Balance at beginning of year	107,106	101,663
Movement for the year	609	5,444
Total Operating Lease Assets - as lessor	107 717	107 106

The following receipts have been recognised as an income in the Statement of Financial Performance:

Lease income	506,441	500,773
Total Operating Lease income - as lessor	506 441	500 773

At the reporting date the municipality had lease receipts receivable under non-cancellable operating leases for Investment Property, which fall due as follows:

Investment Property		
Up to 1 year	597,995	467,656
1 to 5 years	1,166,965	963,676
More than 5 years	696,760	644,157
Total Operating Lease arrangements - as lessor	2 461 739	2 295 491

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13.

23. PROPERTY RATES

Actual

Residential	43 563 163	36 127 656
Commercial	11 016 457	7 636 509
State	1 574 601	1 062 401
Building Clause	10 262	6 727
Assessment Rate: Letting	1 466	1 466
Assessment Rate: State Building Kwa Nonqaba	72 355	113 217
Agricultural	575 616	562 461
Less: Income forgone	(1 847 557)	(1 570 135)
Total assessment rates	54 966 604	44 142 322

Valuations

	July 2010	July 2009
Residential	24 254 300 590	23 462 471 490
Commercial	3 159 622 400	2 306 506 600
State	376 922 500	346 149 600
Municipal	596 223 000	643 106 410
Building Clause	5 695 600	6 369 440
Assessment Rate: Letting	-	-
Assessment Rate: State Building Kwa Nonqaba	17 410 000	3 266 500
Agricultural	1 264 231 300	1 332 603 500
Total property valuations	29 696 605 590	26 102 493 740

The valuation of land takes place every four years in terms of the determinations of the new Ordinance on Property Valuation, 1993. The basic rate for land and buildings ranged between R0,000441 and R0,004156 respectively. Qualifying pensioners received an additional rebate of either 50% or 30% on property tax. With regard to needy families, where the joint income of husband and wife amounted to less than R4 000 a rebate was allowed with regard to water, refuse and sewerage. Regarding the housing schemes, it is noted that income for rates was not based on valuation as the values are less than R50 000. The first R50 000 of residential properties are not levied, R15 000 are impermissible rates and a rebate are given on R35 000.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

24. SERVICE CHARGES		2010	2009
		R	R
Sale of electricity		160 907 455	134 825 295
Sale of water		49 416 982	54 145 094
Refuse removal		27 004 363	23 867 455
Sewerage & sanitation charges		46 046 566	42 050 909
Total service charges		283 375 367	254 888 753
25. GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		26 678 425	23 589 738
National Government Grants		43 470 074	25 452 998
Provincial Government Grants		17 548 531	14 394 022
Main Road Subsidy - Provincial		-	810 860
Other Grants		6 349 775	6 733 648
Total Government Grant & Subsidies		94 046 805	70 981 263
25.1 Equitable Share			
These grants are used to subsidise the provision of basic services to indigent communities.			
25.2 National Government Grants			
Balance unspent at beginning of year		6 811 677	243 674
Current year receipts		45 656 715	32 021 001
Adjustments		-	-
Conditions met - transferred to revenue		(43 470 074)	(25 452 998)
Conditions still to be met - transferred to liabilities (see note 11)		8 998 319	6 811 877
Mossel Bay Municipality received various grants from National Government for capital projects, such as the Drought Relief Grant (Reverse Osmosis plant project) and Energy Efficiency and Demand Side Management project. Other than the amounts unspent, the conditions of the grants have been met.			
25.3 Provincial Government Grants			
Balance unspent at beginning of year		6 879 049	1 255 779
Current year receipts		15 012 660	20 556 833
Adjustments		-	(539 542)
Conditions met - transferred to revenue		(17 548 531)	(14 394 022)
Conditions still to be met - transferred to liabilities (see note 11)		4 343 178	6 879 049
Mossel Bay Municipality received various grants from Provincial Government for operational and capital projects, such as Housing Topstructures, Multi-purpose centre, Provincial Management support grant and the CDW grant. Other than the amounts unspent, the conditions of the grants have been met.			
25.4 Main Roads Subsidy			
Balance unspent at beginning of year		-	-
Current year receipts		-	810 860
Conditions met - transferred to revenue		-	(810 860)
Conditions still to be met - transferred to liabilities (see note 11)		-	-
Mossel Bay Municipality was allocated funds from Provincial Government for the maintenance of Proclaimed Roads during the 2009/10 financial year, but the expenditure did not realise.			
25.5 Other Grants			
Balance unspent at beginning of year		605 216	1 383 888
Current year receipts		6 123 417	5 955 178
Adjustments		-	-
Conditions met - transferred to revenue		(6 349 775)	(6 733 648)
Conditions still to be met - transferred to liabilities (see note 11)		378 858	605 216
The Municipality received various other grants from PAWC for operational projects, such as MSIG, FMG and LGSETA funds. Other than the amounts unspent, the conditions of the grants have been met. No funds have been withheld.			
Refer to Note 36.4 for detail regarding the restatement of previous year balance.			
26. OTHER INCOME			
Building Plan Fees		2 667 155	2 478 354
Availability Fees (Services)		12 719 498	12 332 859
Land Usage Fees		429 541	427 466
Contributions from External Services		2 842 998	2 131 889
Contributions from Land Sales		2 157	80 940
Insurance Claims		493 472	772 247
Collection costs recovered		2 442 167	1 425 759
Fair Value adjustment		97 661 960	-
Other		5 626 467	3 138 516
Total other income		124 885 416	22 788 009
Refer to Notes 36.1 and 36.2 for detail regarding the restatement of previous year balance.			

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

27. PUBLIC CONTRIBUTIONS, DONATED AND CONTRIBUTED PPE	2010	2009
	R	R
District Municipality	-	-
Developers Contributions	-	-
Public Contributions	22 603 501	267 701
Donated and Contributed PPE	1 020 467	-
Connection Fees	1 755 587	2 308 812
Other	-	-
Total public contributions	25 379 555	2 574 513
27.1 District Municipality		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Adjustments	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 11)	-	-
27.2 Developers Contributions		
Balance unspent at beginning of year	(0)	(0)
Current year receipts	-	-
Adjustments	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 11)	(0)	(0)
27.3 Public Contributions		
Balance unspent at beginning of year	65 885	32 351
Current year receipts	22 570 780	311 260
Adjustments	-	(10 024)
Conditions met - transferred to revenue	(22 603 501)	(267 701)
Conditions still to be met - transferred to liabilities (see note 11)	33 164	65 885
27.3 Donated and Contributed Property, Plant and Equipment		
Balance unspent at beginning of year	-	-
Current year receipts	1 020 467	-
Adjustments	-	-
Conditions met - transferred to revenue	(1 020 467)	-
Conditions still to be met - transferred to liabilities (see note 11)	-	-

The Municipality receives contributions from various private funders for operational and capital projects. Other than the amounts unspent the conditions of the contributions have been met. The only funds delayed as at 30 June 2010 was the R22,5 million contribution from PetroSA.

The conditions of the contract with PetroSA read that once the project (Reverse Osmosis Plant) is finished, Mossel Bay Municipality will furnish PetroSA with an invoice for the expenditure occurred, after which PetroSA will provide the funding. These funds was paid to the Municipality on the 20th of August 2010.

28. EMPLOYEE RELATED COSTS

Employee-related costs - Salaries, Wages & Bonuses	91 558 573	76 498 639
Employee-related costs - Contributions for UIF, pensions & medical aids	21 071 981	18 246 160
Contributions to Post Retirement Benefits Provision	9 705 993	7 834 027
Contributions to Long Service Bonus Provision	1 294 030	735 923
Contributions to Leave Gratuity Provision	1 869 047	1 817 993
Contributions to Pension Fund Investment Shortfall	4 171 742	-
Travel, motor car, accommodation, subsistence & other allowances	9 086 802	7 704 546
Housing benefits & allowances	1 006 290	1 116 483
Overtime payments	8 176 715	7 211 426
Executive packages	6 946 493	6 730 580
Less: Employee costs capitalised and to other operating maintenance	(929 735)	(255 546)
Total employee-related costs	153 957 930	127 640 232

REMUNERATION OF KEY MANAGEMENT PERSONNEL:

Remuneration of the Municipal Manager

Annual remuneration	799 438	1 967 787
Performance bonuses	160 842	11 200
Car allowance	132 000	11 000
Contributions to UIF, Medical & Pension Funds	154 431	168 498
Group Insurance	-	-
Industrial Council	45	41
Total	1 246 756	2 156 526

The annual remuneration of the Municipal Manager for the 2008/09 financial year includes a monetary consideration payment to the previous Municipal Manager in accordance with a mutual agreement. The Municipal Manager resigned during the month of June 2008.

Remuneration of the Chief Financial Officer

Annual remuneration	656 599	500 115
Performance bonuses	134 400	112 000
Car allowance	64 000	96 000
Contributions to UIF, Medical & Pension Funds	168 732	153 114
Group Insurance	6 624	6 624
Industrial Council	45	41
Total	1 030 400	867 894

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Remuneration of individual executive directors	Civil Services	Electro-Mechanical Services	Development planning & Housing	Corporate Services	Community Services
30 June 2010					
Annual remuneration	562 358	600 568	789 402	527 484	584 363
Performance bonuses	119 928	119 928	116 615	108 842	122 023
Acting allowance	-	-	-	-	-
Car allowance	106 792	102 000	-	120 000	108 000
Contributions to UIF, Medical & Pension Funds	146 865	141 851	43 513	124 468	102 440
Group Insurance	14 175	6 624	-	5 447	6 624
Industrial Council	45	45	45	45	45
Total	950 164	971 016	949 575	886 286	923 495

Remuneration of individual executive directors	Technical Services	Electro-Technical Services	Town Planning & Build control	Corporate Services	Community Services
30 June 2009					
Annual remuneration	447 456	492 278	417 314	457 014	489 266
Performance bonuses	97 180	105 000	61 740	97 180	97 180
Acting allowance	-	-	-	-	-
Car allowance	114 980	102 000	-	120 000	108 000
Contributions to UIF, Medical & Pension Funds	119 745	123 498	23 661	111 643	90 214
Group Insurance	11 923	6 624	-	5 447	6 624
Industrial Council	41	41	24	41	41
Total	791 326	829 441	502 740	791 326	791 326

29. REMUNERATION OF COUNCILLORS

	2010 R	2009 R
Executive Mayor	517 814	464 955
Executive Deputy Mayor	417 670	375 160
Speaker	402 644	356 782
Mayoral Committee members	1 177 903	1 058 133
Councillors	2 801 537	2 589 458
Councillors' pension contributions	406 566	518 291
Councillors' medical contributions	44 496	50 285
Travel Cost in Excess of 500km	12 499	14 016
Total Councillors' remuneration	5 781 129	5 427 079

In kind benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Mayoral Committee members are employed on a full-time basis. Each is provided with an office and administrative secretarial support at Councils cost. The Executive and Deputy Mayor have access to Council-owned vehicles for ceremonial and official functions. Full-time Councillors are equipped with computers in their offices or at their homes. Ward Committee members are equipped with cellphones for communication purposes.

Certification by Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


Municipal Manager

30. IMPAIRMENT COSTS

Contribution to Provision for Impairment	12 513 624	12 332 565
Bad Debts : Services	-	-
Total impairment costs	12 513 624	12 332 565

31. INTEREST PAID

Long-term Liabilities	663 501	770 555
Current Deposit / Grants	331 200	16 380
Total interest	994 701	786 935

32. BULK PURCHASES

Electricity	100 033 541	85 985 503
Water	5 469 149	6 803 499
Total bulk purchases	105 502 690	92 789 002

33. GRANTS AND SUBSIDIES PAID

Grant in Aid (Assessment Rates)	-	-
Grant in Aid (Services)	1 806 263	2 340 682
Subsidy: Benefit Discount Scheme	343 708	383 832
SPCA	387 532	275 733
Hessequa Municipality	-	10 000
Other Donations	135 000	-
Total grants & subsidies	2 672 503	3 010 247

Other Donations:

During 2008/09 no Other Donations were made, whereas an amount of R135 000 was donated during 2009/10. These Other Donations for includes contributions to NSRI, Child Welfare SA, Heart to Heart Care, Rotary Club of Mossel Bay etc.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

34. GENERAL EXPENSES

	2010 R	2009 R
Audit Fees - External Auditors	2 550 859	1 824 286
Bank Charges	1 757 705	1 682 666
Conferences & Seminars	32 770	38 455
Consultant Fees	1 820 227	1 318 943
Contract Work	2 845 425	3 456 564
Contributions to Alien Vegetation Provision	-	4 100 000
Contributions to Rehabilitation of Landfill sites Provision	532 584	621 000
Entertainment - Public	16 697	12 910
Fuel & Oil	3 806 415	4 395 680
Hire Charges	35 475	51 363
Housing: Top Structures	15 805 511	12 783 900
Impairment on investment property	186 421 240	-
Industrial & Tourism - Sect. 21 Co	2 489 547	2 348 742
Insurance	1 803 394	2 014 954
Inventory Items	309 902	248 078
Houses for resale-Written off	1 051 647	150 557
Lease Charges	958 503	857 189
Legal Costs	963 578	876 986
Levy - Bargaining Council	36 158	32 483
Levy - Skills Development (SETA)	1 109 193	934 426
Levy - Water : DWAF	380 605	392 183
Levy-Water Catchmt Man:DWAF	869 022	286 925
Licence Fees	321 192	275 335
Materials and Stores	8 333 636	9 965 665
Public Functions	141 076	204 095
Refuse Tip Site - External	1 896 536	2 175 144
Relief / Charitable Expenses	76 501	54 866
Transfer to Equitable Share	20 759 262	20 865 824
Telephones and Communications	1 662 904	1 720 757
Travelling & Subsistence	353 624	323 656
Water Rural Areas	282 839	108 780
Other	10 565 319	8 680 814
Less:	(889 265)	(1 369 313)
Stores handling charges	(359 478)	(684 822)
Vehicle and Equipment Recoveries	(14 586)	(7 830)
Departmental Costs	-	-
Recoverable Expenditure	(515 201)	(676 662)
	<u>269 100 082</u>	<u>81 433 911</u>

35. DISCONTINUED OPERATIONS

The operations of the health services, namely Clinics, Community Services and Prime Health Care, was discontinued during the 2007/08 financial year and transferred to the Provincial Administration Western Cape.

Income

Government subsidies	-	-
Insurance claims	-	-
Gains from disposal of property, plant and equipment	-	-
Total income	-	-

Less: Expenditure

General expenses	-	-
Net surplus from discontinuing operations	-	-

The requirements of IFRS 5 have been applied prospectively as allowed by the mentioned Standard.

36. PRIOR YEAR ADJUSTMENTS

36.1 Recognition of fair values of consumer deposits (Refer Note 8 - Consumer Deposits and Note 26 - Other Income)

During the 2008/09 audit process a prior year adjustment was done for the recognition of fair values of consumer deposits, in accordance with COMAF 19 of 2009 received from the Auditor-General. The Accounting Standards Board has however advised that Consumer Deposits does not qualify as a Financial Instrument and should therefore not be discounted, in accordance with IAS 39. The previous years' balances is therefore restated.

Changes to Notes to Annual Financial Statements:

Consumer Deposits (Note 8)

Balance at 30 June 2009 on 2008/09 Financial Statements	2 749 853
Unamortised discount recognised for first time for years prior to 2008/09	5 779 676
Unamortised discount recognised for first time for 2008/09 year	939 337
Restated balance of Consumer Deposits as at 30 June 2009	<u>9 468 865</u>

Other income (Note 26)

Balance at 30 June 2009 on 2008/09 Financial Statements	30 192 026
Unamortised discount on Consumer Deposits for 2008/09 year	(939 337)
Restated balance of Other Income as at 30 June 2009	<u>29 252 689</u>

The Accumulated surplus, Statement of Financial Position and Statement of Financial Performance for 2008/09 and 2009/10 is adjusted accordingly.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

36.2 Reclassification of Income items (Refer Note 26 - Other income and Statement of Financial Performance - Rent of Facilities)

Income in respect of Camping fees and Rental of Chalets was previously recognised under "Other income", but is now recognised under Rent of Facilities income in the Statement of Financial Performance.

Changes to Notes to Annual Financial Statements:

Rent of Facilities (Statement of Financial Performance)

Balance at 30 June 2009 on 2008/09 Financial Statements
Rental-Chalets moved from Other income to Rent of Facilities
Camping fees moved from Other income to Rent of Facilities
Restated balance of Rent of Facilities as at 30 June 2009

2010	2009
R	R
	1 645 265
	2 248 209
	4 216 471
	<u>8 109 944</u>

Other income (Note 26)

Balance at 30 June 2009 on 2008/09 Financial Statements
Rental-Chalets moved from Other income to Rent of Facilities
Camping fees moved from Other income to Rent of Facilities
Restated balance of Other Income as at 30 June 2009

30 192 028
(2 248 209)
(4 216 471)
<u>27 943 817</u>

The Statement of Financial Performance for 2008/09 and 2009/10 is adjusted accordingly.

36.3 Sundry Debtors (Refer Note 19)

An amount for legal fees was incorrectly raised on a debtor account (Acc nr 99-000000-003-09) during the 2005/06 financial year. This correction was done after receipt of notice to reverse entry from the Legal Department of the Municipality.

Changes to Notes to Annual Financial Statements:

Trade and other receivables from Exchange transactions - Other (Note 18)

Balance at 30 June 2009 on 2008/09 Financial Statements
Correction to Sundry Debtors
Restated balance of Other under receivables from Exchange transactions as at 30 June 2009

266 038
(24 428)
<u>241 611</u>

The Trade and Other Receivables from Exchange transactions and the Accumulated surplus for 2008/09 is adjusted accordingly.

36.4 Unspent Conditional Grants and Receipts (Refer Note 11)

Interest received on unspent grants was calculated in accordance with grant contracts and investment interest received. Interest received for the 07/08 and 08/09 years are hereby transferred to the grants.

Changes to Notes to Annual Financial Statements:

Unspent Conditional Grants and Receipts (Note 11)

Provincial Grants:

Balance at 30 June 2009 on 2008/09 Financial Statements
Grants interest for 2008/09 added to unspent grants
Restated balance of Unspent Provincial Grants as at 30 June 2009

6 842 838
36 213
<u>6 879 049</u>

Other Grants:

Balance at 30 June 2009 on 2008/09 Financial Statements
Grants interest for 2007/08 added to unspent grants
Grants interest for 2008/09 added to unspent grants
Restated balance of Unspent Other Grants at 30 June 2009

600 922
1 398
2 898
<u>605 216</u>

Unspent National Grants

6 811 677

Unspent Public Contributions

65 885

Restated balance of ALL Unspent Conditional Grants and Receipts at 30 June 2009

14 361 827

The Unspent conditional grants and receipts and the Accumulated surplus for 2007/08 and 2008/09 is adjusted accordingly.

36.5 Performance Bonus Accrual (Refer Note 10)

The Performance Bonus accrual was not adjusted with the write-back of the accrual not used in the 2008/09 year. The accrual for the 2008/09 year is therefore adjusted downwards in order to only provide for the necessary bonus accrual.

Changes to Notes to Annual Financial Statements:

Trade and other payables - Performance Bonus Accrual (Note 10)

Balance at 30 June 2009 on 2008/09 Financial Statements
Performance accrual written back for 2008/09 year
Restated balance of Performance Bonus Accrual as at 30 June 2009

910 435
(328 954)
<u>581 481</u>

The Trade and Other Payables note and the Accumulated surplus for 2008/09 is adjusted accordingly.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

36.6 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL POSITION:

During the year various prior year adjustments was made to the Statement of Financial Position. The following is a summary of all the movements in the prior year balances:

<u>Changes to Net assets and Liabilities:</u>	2010 R	2009 R
Balance as at 30 June 2009 (as stated in the 2008/09 Annual Financial Statements):		1634 704 329
<u>Net assets:</u>		(6 783,945)
Accumulated surplus / (deficit)		(6 783 945)
<u>Non-current Liabilities:</u>		-
<u>Current Liabilities:</u>		6 759 519
Consumer deposits (Refer note 36.1)		6 719 012
Unspent conditional grants and receipts (Refer note 36.4)		40 507
Restated balance of Net assets and Liabilities as at 30 June 2009		1634 679 903
<u>Changes to Assets:</u>		
Balance as at 30 June 2009 (as stated in the 2008/09 Annual Financial Statements):		1634 704 329
<u>Non-current Assets:</u>		-
<u>Current Assets:</u>		(24,426)
Trade and other receivables from Exchange transactions (Refer note 36.3)		(24 426)
Restated balance of Assets as at 30 June 2009		1634 679 903

36.7 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL PERFORMANCE:

During the year various prior year adjustments was made to the Statement of Financial Performance. The following is a summary of all the movements in the prior year balances:

Surplus for the year (as stated in 2008/09 Annual Financial Statements):	44 295 627
<u>Revenue adjustments:</u>	(939,337)
Other income : Rental - Chalets (refer note 36.2)	(2 248 209)
Other income : Camping fees (refer note 36.2)	(4 216 471)
Other income : Unamortised discount on Consumer Deposits (refer note 36.1)	(939 337)
Rental of facilities and equipment (refer note 36.2)	6 464 680
<u>Expenditure adjustments:</u>	-
Restated Surplus for the year	43 356 290

36.8 SUMMARY OF CHANGES TO STATEMENT OF CHANGES IN NET ASSETS:

During the year various prior year adjustments was made to the Statement of Changes in Net Assets. The following is a summary of all the movements in the prior year balances for the Accumulated Surplus, Capital Replacement Reserve and the Housing Development Fund:

<u>Changes to Accumulated Surplus:</u>	
Balance as at 30 June 2009 (as stated in the 2008/09 Annual Financial Statements):	1370 577 164
Consumer Deposits (Refer note 36.1)	(6 719 012)
Trade and other receivables from Exchange transactions (Refer note 36.3)	(24 426)
Unspent conditional grants and receipts (Refer note 36.4)	(40 507)
Performance Bonus accrual (Refer note 36.5)	328 954
Restated balance of Accumulated Surplus as at 30 June 2009	1364 122 173
<u>Changes to Capital Replacement Reserve:</u>	
Balance as at 30 June 2009 (as stated in the 2008/09 Annual Financial Statements):	101 808 566
Restated balance of Capital Replacement Reserve as at 30 June 2009	101 808 566
<u>Changes to Housing Development Fund:</u>	
Balance as at 30 June 2009 (as stated in the 2008/09 Annual Financial Statements):	9 854 240
Restated balance of Housing Development Fund as at 30 June 2009	9 854 240

37. CHANGE IN ACCOUNTING POLICY

No adjustments due to changes in the accounting policy occurred during the current financial year.

38. CHANGE IN ACCOUNTING ESTIMATES

No adjustments due to changes in the accounting estimates occurred during the current financial year.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

39. CASH GENERATED BY OPERATIONS

	2010 R	2009 R
Surplus for the year	(5 697 542)	43 356 290
Adjustment for:		
Depreciation and Amortisation	25 886 985	23 068 214
Depreciation - Previous year adjustment		
Gain and loss on disposal of property, plant and equipment	(9 546 790)	261 517
Contributions to provisions (non-current)	6 483 727	6 254 036
Contributions to provisions (current)	2 817 006	2 945 286
Actuarial loss	5 340 126	1 410 476
Actuarial gains	(83 859)	(6 625 714)
Contributions to bad debt provision	11 324 190	11 946 971
Bad Debts written off	(10 135 596)	(14 699 448)
Investment Income	(18 842 230)	(27 290 762)
Interest on Unamortised discounts	(510)	(1 296)
Operating Lease Income	(609)	(5 444)
Operating Lease Expenses	31 721	59 531
Interest paid	994 701	786 935
Operating surplus before working capital changes:	8 571 322	41 466 593
(Increase) / Decrease in inventories	(811 348)	696 882
(Increase) / Decrease in receivables from exchange transactions	(3 585 079)	1 811 948
(Increase) / Decrease in receivables from non-exchange transactions	(22 760 333)	(5 124 447)
(Decrease) / Increase in conditional grants & receipts	(608 309)	11 405 830
Increase / (Decrease) in VAT	(10 770)	(1 109 281)
Increase / (Decrease) in trade payables	23 175 266	19 107 708
Cash generated by operations	3 970 749	68 255 233

40. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see note 4)	3 776 793	4 899 619
Used to finance PPE - at cost	-	-
Sub-total	3 776 793	4 899 619
Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date (See note 21).		

41. UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

41.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by council or condoned	-	-
Transfer to receivables for recovery (note 19)	-	-
Unauthorised expenditure awaiting authorisation	-	-

41.2 Fruitless & wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	1 767	-
Condoned or written off by Council	(1 767)	-
To be recovered - contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-

2010

Incident	Disciplinary steps/criminal proceedings
Late cancellation of accommodation - SALGA	
Workshop could not be attended due to illness R 520	Council decision to write off expenditure
Leave application forms for dismissed employee received late.	
Leave days owed to Council = 6 days R 1,247	Council decision to write off expenditure

41.3 Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance	-	-
Irregular expenditure current year	-	-
Recovered	-	-
Condoned or written off by Council (in accordance with SCM policy)	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	-	-

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

42. ADDITIONAL DISCLOSURES i.t.o THE MFMA

		2010 R	2009 R
42.1 Contributions to SALGA			
Opening balance		-	-
Council subscriptions		487 037	487 037
Amount paid - current year		(487 037)	(487 037)
Amount paid - previous years		-	-
Balance unpaid (included in Trade payables)		-	-
42.2 Audit fees			
External Audit Fees			
Opening balance		-	-
Current year audit fee		2 550 859	1 824 286
Amount paid - current year		(2 556 590)	(1 824 286)
Amount paid - previous years		-	-
Balance recoverable (included in Other Receivables)		(5 731)	-
Internal Audit Fees			
Opening balance		-	-
Current year audit fee		540 215	539 156
Amount paid - current year		(540 215)	(539 156)
Amount paid - previous years		-	-
Balance unpaid (included in Trade payables)		-	-
42.3 VAT			
VAT inputs receivables and VAT outputs receivables are shown in Note 12. All VAT returns have been submitted by the due date throughout the year.			
42.4 PAYE and UIF			
Opening balance		40	-
Current year payroll deductions		17 094 864	14 280 068
Amount paid - current year		(17 097 665)	(14 280 028)
Amount paid - previous years		-	-
Balance unpaid (included in Trade payables)		(2 762)	40
42.5 Pension, Provident and medical aid contributions			
Opening balance		0	-
Current year payroll deductions and council contributions		32 106 971	27 518 895
Amount paid - current year		(32 106 971)	(27 518 895)
Amount paid - previous years		-	-
Balance unpaid (included in Trade payables)		0	0
42.6 Councillor's arrear consumer accounts			
<u>The following Councillors had arrear accounts outstanding as at 30 June for more than 90 days:</u>			
30 June 2010	Total	Outstanding less than 90 days	Outstanding more than 90 days
R Skombingo	4,734	1,289	3,445
Total Councillor Arrear Consumer Accounts	4 734	1 289	3 445
30 June 2009			
None	-	-	-
Total Councillor Arrear Consumer Accounts	-	-	-
<u>During the year the following councillors had arrear accounts outstanding for more than 90 days:</u>			
1 July 2009 to 30 June 2010	Month	Highest Amount Outstanding R	Ageing
S Moodie	December 2010	222	90+ days
R Skombingo	June 2010	3 445	90+ days
Booyens	December 2010	787	90+ days
1 July 2008 to 30 June 2009			
SW Manual		1 015	90+ days

42.7 Non-compliance with Chapter 11 of the MFMA

The following deviations and ratifications of minor breaches of procurement processes are reported to council in terms of Paragraph 36(2) of the SCM Policy:

SERVICE CONTRACTS:

DEPARTMENT	DATE	CONTRACT	DEVIATION
Corporate Services	06.07.2009	Extension of contract for Development and Implementation of Performance Management - Total Amount = R193 200	Ignite Advisory Services has done the SDBIP (Service Delivery Budget Implementation Plan) of the Municipality and has complete knowledge of our Council.
Town Planning & Building Control	24.07.2009	Slope stability and foundation integrity assessment, Erven 171, 196 and 200, Tergriet, Mossel Bay - Total Amount = R73 012	Services of SRK Consulting Engineers and Scientists used. These landowners have, in this case of erf 196, instituted legal action against the Municipality. SRK were approached to provide a professional opinion on the issues concerned.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

CLOSED QUOTATIONS / TENDERS:

MONTH	R0 - R20 000	R20 001 - R50 000	R50 001 - R100 000	R100 001 - R200 000
July 2009	136 693	71 323	54 384	-
Aug 2009	105 608	54 713	198 268	-
Sep 2009	77 113	34 544	94 776	-
Oct 2009	77 982	42 544	-	-
Nov 2009	68 564	117 689	-	-
Dec 2009	28 555	58 248	-	-
Jan 2010	86 725	182 855	-	-
Feb 2010	82 552	118 760	-	114 570
Mar 2010	45 587	133 728	50 830	-
Apr 2010	26 729	75 066	144 215	-
May 2010	39 884	124 467	54 378	126 141
Jun 2010	47 771	-	50 830	-
Grand Total	823 763	1 013 938	647 681	240 711

The following quotations/tenders are separately disclosed due to materiality:

PRODUCT / SERVICE	DATE	BIDDER	AMOUNT	DEVIATION
Tender 79/2009: Civil Works for Reverse Osmosis Facility and Associates works at the Regional Waste Water Treatment Works	28.01.2010	Urhwebo e-Transand	R16 826 436	Emergency as a result of the emergency situation caused by the drought. Bid was not advertised, but bidders were invited to tender.
Mossel Bay Desalination plant seawater intake and brine discharge works	25.06.2010	Murray & Roberts Marine (Pty) Ltd	Negotiated Contract - Direct fee percentage is 15%	Emergency

42.8 LEVIES PAID TO OTHER GOVERNMENT ORGANISATIONS

	2010 R	2009 R
42.8.1 Levy Department of Water Affairs and Forestry : Water	380 605	392 183
42.8.2 Levy Department of Water Affairs and Forestry : Water Catchment Management	869 022	286 925
42.8.3 Skills Development Levy	1 109 193	934 426
42.8.4 Levy Bargaining Council	36 158	32 483

42.9 MATERIAL LOSSES

Electricity distribution losses

- Units purchased (Kwh)	287,022,603	307,403,704
- Units lost during distribution (Kwh)	21,524,773	15,349,538
- Percentage lost during distribution	7.5%	4.99%

Water distribution losses

- Mega litres purified	6,471	9,790
- Mega litres lost during distribution	1,395	1,462
- Percentage lost during distribution	21.56%	14.93%

43. CONTRACTUAL COMMITMENTS

Commitments in respect of capital expenditure:

-approved and contracted for	32 892 300	40 607 120
Infrastructure	31 522 300	32 795 000
Community	670 000	150 000
Other	700 000	7 662 120

This expenditure will be financed from:

-Finance leases	-	200 000
-Capital replacement reserve	14 040 000	30 118 520
-Government grants	18 852 300	6 988 600
-Public contributions / donations	-	3 300 000
	32 892 300	40 607 120

44. RELATED PARTY TRANSACTIONS

Parties are considered to be related if:

- One party has the ability to control the other party or
- Exercise significant influence over the other party in making financial and operating decisions.

44.1 Related Party Transactions

Year ended 30 June 2010

	Rates and service charges R	Outstanding balances R
Councillors	132 192	-
Municipal Manager and Section 57 Personnel	57 768	-
Municipal Entities	-	-

Year ended 30 June 2009

	Rates and service charges R	Outstanding balances R
Councillors	137 231	-
Municipal Manager and Section 57 Personnel	47 455	-
Municipal Entities	-	-

The rates, service charges and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

44.2 Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004. Loans that were granted prior to this date, together with the conditions, are disclosed in note 16 to the Annual Financial Statements.

44.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 28.

44.4 Other related party transactions

The following are awards above R2 000 made either to persons in the service of the state or to spouses, children or parents of anybody in the service of the state.

QUOTATIONS:

QUOTATION	AWARDED TO	TOTAL AMOUNT FOR 09/10 YEAR	RELATION
Repair burst sewer pipe, building of manhole and installation of a new sewerage line	Marracon (Pty) Ltd	R93 518	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality.
Impounding of Vehicles, boats, livestock as per closed quotation	Steph Peterson Holdings	R72 250	The wife of Mr Peterson (the owner of Steph Peterson Holdings) is an employee at Mossel Bay Municipality.
Hire machinery, material & equipment	Masshire Holdings	R54 371	Councillor JV Booyens is a Director of Masshire Holdings.

TENDERS:

TENDER	DATE	AWARDED TO	AMOUNT	RELATION
Tender 53/2009: Deforestation	12/10/2009	Steph Petersen Holdings	Various prices. Contract tender.	The wife of Mr Peterson (the owner of Steph Peterson Holdings) is an employee at Mossel Bay Municipality.
Tender 53/2009: Deforestation	12/10/2009	Frima	Various prices. Contract tender.	The owner is employed by the South African Police Services.
Tender 60/2009: Mossel Bay: Upgrading of Raw Waterlines	21/12/2009	A2 Loodgieters / Mabungwe Civils JV	R7 803 068	The wife of the owner is an employee at Correctional Services.
Tender 16/2010: Supply and delivery of bricks, sand, gravel and stone	31/05/2010	Marracon (Pty) Ltd	Various prices. Contract tender.	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality.
Tender 17/2010: Supply and delivery of bitumen, quicksetting slurry, primers and asphalt bags for road-resealing purposes	07/08/2010	Kay Beez Development Projects CC	Various prices. Contract tender.	The wife of the owner is an employee at the Department of Health Services.
Tender 19/2010: Delivery and hire of machines and trucks	14/08/2010	Marracon (Pty) Ltd	Various prices. Contract tender.	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality.

Alderlady M Ferreira (Executive Mayor) do not have any shareholding or interest in Marracon (Pty) Ltd as per the above awards.

The transactions are concluded in full compliance with the Supply Chain Management policy of the Council and the transactions are considered to be at arms length.

45. FINANCIAL RISK MANAGEMENT

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest rate changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high quality credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the municipality's investment policy. These limits are reviewed annually by the CFO and authorised by the mayoral committee.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are cut immediately.

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

The maximum credit and interest rate risk exposure in respect of relevant financial instruments is as follows:

Description of type of financial instrument

Long term receivables
Trade and Other Receivables from Exchange transactions
Other Receivables from Non-Exchange transactions
Cash and Cash Equivalents
Maximum credit and interest rate risk exposure

2010 R	2009 R
3 658 617	3 972 674
50 898 445	47 313 386
43 000 060	24 527 278
187 013 980	203 013 980
<u>284 571 102</u>	<u>278 827 298</u>

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

46. FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial assets and liabilities of the municipality are classified as follows:

SUMMARY OF FINANCIAL ASSETS

Loans and Receivables:

		2010 R	2009 R
Short-term Investment Deposits	Fixed deposits - due within 12 months	187 000 000	203 000 000
Bank Balances		-	-
Petty cash and advances		13 980	13 980
Long-term Receivables	Car Loans	(0)	-
Long-term Receivables	Study Loans	165 724	107 150
Long-term Receivables	Land Sales Debtors	31 720	34 065
Long-term Receivables	Public Assistance Loans	295 086	249 320
Long-term Receivables	Housing Selling Scheme Loans	1 694 903	830 501
Trade and Other Receivables from Exchange transactions	Service debtors	34 882 022	29 681 891
Trade and Other Receivables from Exchange transactions	Debtpack Collections	2 308	5 474
Trade and Other Receivables from Exchange transactions	Land Sales	3 539	6 379
Trade and Other Receivables from Exchange transactions	Housing Instalments	588 942	559 458
Trade and Other Receivables from Exchange transactions	Housing rentals	234 450	246 097
Trade and Other Receivables from Exchange transactions	Sundry Debtors	377 195	241 611
Other Receivables from Non-Exchange transactions	Rates Debtors	6 807 720	5 303 691
Other Receivables from Non-Exchange transactions	Accrued Income	4 655 571	12 952 311
Other Receivables from Non-Exchange transactions	Government subsidies	515 615	-
Other Receivables from Non-Exchange transactions	Other Debtors	31 191 165	6 271 275
Current portion of Long-term Receivables	Car Loans	-	46 643
Current portion of Long-term Receivables	Loans Public Organisations	80 157	175 228
Current portion of Long-term Receivables	Land Sales Debtors	1 437	642
Current portion of Long-term Receivables	Housing Selling Scheme Loans	328 360	301 418
Total loans and receivables		268 869 893	260 027 131
Total Financial Assets		268 869 893	260 027 131

SUMMARY OF FINANCIAL LIABILITIES

Long term liabilities	Local registered stock loans	523 887	495 527
Long term liabilities	Annuity loans	49 421	80 757
Long term liabilities	Finance lease liability	1 522 491	2 418 733
Trade and Other Payables	Trade and Other Payables	69 880 293	44 822 808
Bank Overdraft	Bank Overdraft	8 270 712	1 098 895
Current portion of long term liabilities	Local registered stock loans	80 157	160 957
Current portion of long term liabilities	Annuity loans	77 039	239 973
Current portion of long term liabilities	Finance lease liability	1 523 799	1 503 671
Total Financial Liabilities		81 927 798	50 821 322

Fair Values

The following methods and assumptions are used to determine the fair value of each class of financial instrument:

Cash and Cash Equivalents

The carrying amount approximates the fair value due to the relatively short-term nature of these financial assets.

Trade and Other receivables / payables

The carrying amount of trade and other receivables (net of provision for impairment) / payables approximates fair value due to the relatively short-term nature of these assets / liabilities.

Long-term Receivables / payables

Subsequent to initial recognition, interest bearing borrowings and receivables are stated at amortised cost. Fixed interest rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market-related interest rates at the reporting date.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus. There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

Increase in interest rates	2010	2009
The estimated increase in basis points	1%	1%
	R	R
Financial Assets	2 688 699	2 600 271
Financial Liabilities	819 278	508 213
Net effect on surplus (Financial Assets minus Financial Liabilities)	1 869 421	2 092 058

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

47. CONTINGENT LIABILITY

47.1 Contractual disputes

Contractual claims in respect of court cases that are currently in dispute and being addressed through mediation the maximum unforeseen liability is estimated at R5 463 000. One of these claims has been referred to our insurance company for the recovery of R963 000.

47.2 Guarantees of employees housing loans

Guarantees have been issued to various financial institutions on behalf of officials in respect of housing loans. This is covered by individual cumulated pensions depending on the years of service. Collateral investments were made in certain cases. The maximum amount of the guarantees amount to R111 233, and council has a right to recovery.

47.3 Other

An arbitration hearing on the interpretation/application of Collective Agreement (Salary and Wage Collective Agreement) was held on 18 May 2010. An order was made that in the 2009/10 fiscal year the employees were entitled to have the benefits such as overtime and leave pay calculated on the basis of a 13% increase. SALGA has issued a letter to the Municipality on the 30th of June 2010, urging municipalities not to implement the outcome as they are taking legal advice on the matter. A calculation was made on what the impact of the implementation of the arbitration outcome will be which amounted to a total payout to employees of R333 821.

48. EVENTS AFTER THE REPORTING DATE

On Wednesday, 21 July 2010, three motor vehicles of the Traffic Department of Mossel Bay Municipality was damaged due to a fire. Two of the vehicles was almost totally destroyed and the third had minor damage. A case of deliberate damage of property / arson was opened at the police and a claim was submitted to the municipality's insurers. There will be no probable loss for Council as these damages will most probably be recovered from insurance.

On Thursday, 1 July 2010 at 01:30 the morning, the Mossel Bay Fire Department received a call that the Human Resources building of Mossel Bay Municipality was on fire. The fire was extinguished, but only after one office was completely ruined and heat and smoke damages was also caused. Various claims for office equipment and repairs was submitted to the municipality's insurers. The insurers will handle the major repairs to the building themselves. A total cost of R501 185 is estimated for the repair of the building and replacement of assets.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Note 49: Implication of standards approved but not yet effective:

Std. no.	Standard title	Standard requirements	Earlier implementation Y/N	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 18	Segment reporting	Entire standard	N	<p>The AFS will have to be adjusted to ensure that the disclosure requirements relating to segment information are met.</p> <p>The primary reporting format requires inter alia, disclosure of:</p> <ol style="list-style-type: none"> 1) Segment revenue for every reportable segment. 2) Segment results for every reportable segment. 3) Segment assets for every reportable segment. 4) The total cost incurred during the period to acquire reportable segment long term assets. 5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements. <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in GRAP 18 will also need to be disclosed in the AFS.</p> <p>Note should be taken of the information disclosed as per Appendix C, D, (E1) and (E2).</p>
GRAP 21	Impairment of non-cash-generating assets	Entire Standard	N	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <ol style="list-style-type: none"> 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by GRAP 21
GRAP 23	Revenue from Non-Exchange transactions	Entire standard	N	<p>No adjustments to the AFS are required as the municipality already complies with the requirements of GRAP 23</p>

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

GRAP 24	Presentation of Budget Information in the Financial Statements	Entire Standard	N	The AFS will have to be adjusted to ensure that the disclosure requirements relating to budgeted information are met. Budgeted information is currently disclosed under Appendix (E1) and (E2) and statement of financial performance. Additional disclosure notes should however be disclosed to comply with GRAP 24.
GRAP 25	Employee Benefits	Entire Standard	N	The adjustments will not be material due to the fact that the Municipality already complies with IAS 19 with regards to Employee Benefits.
GRAP 26	Impairment of cash generating assets	Entire Standard	N	The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time: 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by GRAP 26
GRAP 103	Heritage assets	Entire Standard	N	Additional disclosure will be done on all Heritage assets identified.
GRAP 104	Financial Instruments	Entire Standard	N	The adjustments will not be material due to the fact that the Municipality already complies with IAS 32, IAS 39 and IFRS 7 with regards to Financial Instruments.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

APPENDICES

Appendix A : Schedule of External Loans

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010									
External loans	Loan number	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed written off during the period	Unamortised discount on loans	Balance at 30 June 2010	Carrying value of PPE	Other costs in accordance with the MFMA
STOCK LOANS			R	R	R		R	R	R
Stock loan @ 15.00%	1/89/90	2009/12/31	1 712	-	25 000	23 288	0	-	-
Stock loan @ 14.75%	1/92/93	2009/06/29	42 766	-	42 766		-	-	-
Stock loan @ 15.00%	1/97	2012/12/31	8 909	-		(2 017)	6 891	-	-
Stock loan @ 15.00%	2/97	2012/12/31	4 627	-		(1 048)	3 580	-	-
Stock loan @ 15.00%	1/99	2013/12/31	3 732	-		(541)	3 191	-	-
Stock loan @ 15.00%	2/99	2015/12/31	92 500	-			92 500	-	-
Stock loan @ 15.00%	2/2000/01	2015/11/01	13 538	-			13 538	-	-
Stock loan @ 15.00%	1/2000/01	2015/07/20	92 308	-			92 308	-	-
Stock loan @ 15.00%	4/2000/01	2016/03/01	13 847	-			13 847	-	-
Stock loan @ 15.00%	1/2001/02	2016/10/01	178 462	-			178 462	-	-
Stock loan @ 15.00%	2/2001/02	2016/10/01	36 924	-			36 924	-	-
Stock loan @ 15.00%	1/2002/03	2018/03/07	61 539	-			61 539	-	-
Stock loan @ 12.00%	2/2003/04	2018/10/31	30 714	-			30 714	-	-
Stock loan @ 12.00%	1/2003/04	2018/09/18	74 907	-		(4 357)	70 550	-	-
Total long-term loans			656 484	-	67 766	15 326	604 044	-	-
ANNUITY LOANS									
Eden District Municipality @ 0.00%	-	2009/08/31	142 612	-	162 934	20 322	(0)	-	-
Eden District Municipality @ 0.00%	-	2012/02/28	178 119	-	77 039	25 380	126 460	-	-
Total annuity loans			320 731	-	239 973	45 703	126 460	-	-
FINANCE LEASES									
Rentworks Africa			1 578 864	377 305	659 495		1 296 673	1 177 187	
Fleet Africa			2 251 830	296 562	829 613		1 718 779	1 039 841	
Nashua			91 710		60 873		30 837	307 442	
Total finance leases			3 922 404	673 867	1 549 982	-	3 046 290	2 524 470	-
TOTAL EXTERNAL LOANS			4 899 619	673 867	1 857 721	61 028	3 776 794	2 524 470	-

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix B : Analysis of PPE

ANALYSIS OF PPE AS AT 30 JUNE 2010													
	Cost/revaluation					Accumulated depreciation						Carrying value	Budget additions
	Opening balance	Under construction	Additions	Disposals	Closing balance	Opening balance	Additions	Impairment losses	Disposals	Change in Useful lives	Closing balance		
Land & Buildings													
Land	300 693 163	-	507 619		301 200 782	-	-	-	-	-	-	301 200 782	
Buildings	124 447 208	2 034 272	1 384 809		127 866 290	29 397 794	4 240 331	-	-	(34 877)	33 603 248	94 263 041	
	425 140 371	2 034 272	1 892 428	-	429 067 072	29 397 794	4 240 331	-	-	(34 877)	33 603 248	395 463 823	-
Infrastructure													
Drains	-	10 686 619		-	10 686 619	-	-	-	-		-	10 686 619	
Roads	123 881 383	9 642 312	48 998 394	-	182 522 089	43 677 907	3 178 193				46 856 100	135 665 989	
Beach improvements	-	-	-	-	-	-	-	-	-		-	-	
Sewerage mains & Purif	89 327 695	17 355 483	4 493 949		111 177 127	32 054 286	2 697 034				34 751 320	76 425 807	
Electricity mains	106 944 267	722 518	20 167 949	84 426	127 750 308	37 404 788	2 789 387	-	24 041		40 170 133	87 580 175	
Electricity peak load equipment	9 465 508	13 352 937	515 688	-	23 334 134	164 082	-	-	-		164 082	23 170 052	
Water mains & purification	17 893 438	51 555 935	47 289 230		116 738 603	7 032 038	1 374 749				8 406 787	108 331 816	
Reservoirs - water	45 786 757	-	-	-	45 786 757	14 327 122	761 545				15 088 666	30 698 090	
Water meters	-	-	-	-	-	-	-	-	-		-	-	
Water mains	44 444 479	1 526 221	-	-	45 970 700	21 095 043	733 415	-	-		21 828 458	24 142 242	
	437 743 527	104 842 025	121 465 211	84 426	663 966 338	155 755 265	11 534 322	-	24 041	-	167 265 546	496 700 792	-
Community assets													
Parks & gardens	3 336 738	-	4 091 957	-	7 428 695	783 661	217 704	-	-	-	1 001 365	6 427 330	
Libraries	3 273 141	-	-	-	3 273 141	813 784	109 105	-	-	-	922 889	2 350 252	
Recreation grounds	12 249 388	-	63 230		12 312 618	2 944 794	577 012	-	-	-	3 521 806	8 790 811	
Civic buildings	52 123 801	-	-	-	52 123 801	10 575 889	1 730 844	-	-	-	12 306 733	39 817 068	
	70 983 068	-	4 155 187	-	75 138 254	15 118 128	2 634 665	-	-	-	17 752 793	57 385 462	-
Heritage assets													
Historical buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Painting & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	933 866 966	106 876 298	127 512 826	84 426	1 168 171 664	200 271 188	18 409 318	-	24 041	(34 877)	218 621 587	949 550 077	-

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix B : Analysis of PPE (continues)

ANALYSIS OF PPE AS AT 30 JUNE 2009													
	Cost/revaluation					Accumulated depreciation						Carrying value	Budget additions
	Opening balance	Under construction	Additions / Revaluation	Disposals	Closing balance	Opening balance	Additions	Impairment losses	Disposals	Change in Useful lives	Closing balance		
Total brought forward	933 866 966	106 876 298	127 512 826	84 426	1168 171 664	200 271 188	18 409 318	-	24 041	(34 877)	218 621 587	949 550 077	-
Housing rental stock													
Housing rental 1	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing rental 2	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Leased assets (Infrastructure)													
Leased assets (Infrastructure)	5 602 868	-	673 857	218 844	6 057 881	2 270 725	1 464 112	-	195 656	-	3 539 181	2 518 700	-
	5 602 868	-	673 857	218 844	6 057 881	2 270 725	1 464 112	-	195 656	-	3 539 181	2 518 700	-
Other assets													
Landfill sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Office equipment	27 621 273	-	4 333 970	745 510	31 209 733	11 282 405	3 943 243	-	548 660	(9 011)	14 667 978	16 541 755	-
Furniture & fittings	964 622	-	602 934	17 463	1 550 093	491 312	235 694	-	16 358	7 385	718 033	832 060	-
Bins & containers	282 863	-	537	-	283 400	162 627	36 067	-	-	(3 105)	195 588	87 812	-
Emergency equipment	30 000	-	435 468	-	465 468	30 000	27 295	-	-	-	57 295	408 172	-
Motor vehicles	11 716 169	-	2 952 802	363 282	14 305 690	5 233 832	1 366 513	-	271 705	21 146	6 349 785	7 955 904	-
Fire engines	2 455 019	-	-	-	2 455 019	742 170	158 946	-	-	-	901 116	1 553 903	-
Refuse tankers	1 220 660	-	193 446	105 529	1 308 577	642 712	141 023	-	70 622	1 700	714 813	593 764	-
Computer equipment	1 439 112	-	111 988	28 666	1 522 434	924 328	204 174	-	21 202	5 835	1 113 135	409 299	-
Council regalia	1 980	-	-	-	1 980	208	69	-	-	-	277	1 703	-
Conservancy tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Watercraft	-	-	-	-	-	-	-	-	-	-	-	-	-
	45 731 699	-	8 631 144	1 260 449	53 102 393	19 509 593	6 113 024	-	928 547	23 951	24 718 021	28 384 373	-
Non PPE													
Investment Properties	505 675 953	-	97 661 960	1 255 000	602 082 913	2 518 300	-	186 421 240	-	-	188 939 540	413 143 373	-
Intangible Assets	1 170 857	-	-	-	1 170 857	729 124	159 152	-	-	(4 680)	883 595	287 262	-
Agricultural Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	506 846 810	-	97 661 960	1 255 000	603 253 770	3 247 424	159 152	186 421 240	-	(4 680)	189 823 135	413 430 635	-
Total	1492 048 343	106 876 298	234 479 787	2 818 719	1830 585 709	225 298 930	26 145 606	186 421 240	1 148 245	(15 607)	436 701 924	1393 883 785	-

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix C : Segmental analysis of PPE

SEGMENTAL ANALYSIS OF PPE (PER MUNICIPAL DEPARTMENT)													
30 JUNE 2010													
	Cost					Accumulated depreciation							
	Opening balance	Under construction	Additions	Disposals	Closing balance	Opening balance	Additions	Impairment losses	Disposals		Change in Useful lives	Closing balance	Carrying value
									Depreciation	Impairment losses			
Municipal Manager	3 225 893	-	810 680	27 168	4 009 405	1 474 882	278 582	-	23 472	-	27 744	1 757 737	2 251 668
Manager Financial Services	3 541 126	-	574 664	95 472	4 020 319	1 619 853	766 014	-	78 134	-	(4 385)	2 303 348	1 716 971
Manager Technical Services	1 584 409	-	47 244	84 591	1 547 063	786 776	331 443	-	76 028	-	(3 493)	1 038 698	508 365
Electricity - Administration	1 969 926	-	17 971	337 988	1 649 909	1 163 156	230 585	-	238 094	-	261	1 155 908	494 001
Electricity - Distribution	114 741 792	14 075 455	21 911 984	115 189	150 614 042	38 677 895	3 688 676	-	46 788	-	(1 163)	42 318 622	108 295 421
Manager Corporate Services	948 678 853	2 034 272	99 819 648	1 395 286	1 049 137 487	30 910 478	5 477 898	186 421 240	107 483	-	(52 708)	222 649 425	826 488 062
Sewerage	99 809 230	17 355 483	4 515 450	14 818	121 665 345	33 059 174	3 034 377	-	10 626	-	2 123	36 085 049	85 580 296
Streets and Stormwater	121 799 969	20 328 932	49 756 573	131 620	191 753 854	46 038 757	3 786 924	-	106 703	-	(363)	49 718 616	142 035 238
Water	127 361 001	53 082 156	47 344 782	144 344	227 643 596	45 972 372	3 860 011	-	112 466	-	(6 400)	49 713 518	177 930 077
Cleansing Services	5 872 659	-	1 239 950	105 573	7 007 036	2 996 642	499 994	-	70 651	-	(5 953)	3 420 031	3 587 004
Health Services	2 855 660	-	-	-	2 855 660	917 293	94 855	-	-	-	-	1 012 148	1 843 512
Parks, Recreation and Sport Grounds	19 054 761	-	4 733 711	161 117	23 627 355	5 439 400	1 322 717	-	119 387	-	9 886	6 652 616	16 974 739
Beaches, C/ Park and Chalets	20 645 075	-	1 005 029	35 928	21 614 176	10 463 614	891 690	-	25 111	-	(516)	11 329 677	10 284 499
Fire Services	5 928 529	-	1 132 578	49 991	7 011 116	2 540 937	621 081	-	35 924	-	89	3 126 183	3 884 933
Public Safety	4 246 982	-	443 523	39 656	4 650 849	1 332 864	531 433	-	31 142	-	13 529	1 846 685	2 804 164
Manager Community Services	10 732 477	-	1 125 998	79 979	11 778 497	1 904 836	729 324	-	66 237	-	5 740	2 573 662	9 204 835
TOTAL	1 492 048 343	106 876 298	234 479 787	2 818 719	1 830 585 709	225 298 930	26 145 606	186 421 240	1 148 245	-	(15 607)	436 701 924	1 393 883 785

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix D : Segmental analysis of Statement of Financial Performance (Mun Dept classification)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010						
MUNICIPAL DEPARTMENT CLASSIFICATION						
2009	2009	2009		2010	2010	2010
Actual income	Actual expenditure	Surplus/ (deficit)	SEGMENT	Actual income	Actual expenditure	Surplus/ (deficit)
R	R	R		R	R	R
38 269 284	34 004 978	4 264 306	Municipal Manager	135 891 329	234 065 322	(98 173 993)
616 608	16 417 093	(15 800 485)	Manager Corporate Services	1 009 084	19 034 917	(18 025 833)
210 891	2 022 180	(1 811 289)	Socio Economic Plan and Dev	185 677	2 820 987	(2 635 309)
4 190 680	11 226 652	(7 035 972)	Town planning & Building control	4 576 584	13 061 040	(8 484 457)
558 819	4 169 578	(3 610 759)	Libraries	848 499	4 943 920	(4 095 422)
49 430 510	24 406 235	25 024 274	Manager Financial Services	61 063 660	27 576 251	33 487 409
-	2 777 522	(2 777 522)	Manager Technical Services	-	4 090 994	(4 090 994)
154 213 111	110 100 528	44 112 583	Electricity	190 099 315	127 977 282	62 122 033
19 870 072	26 495 356	(6 625 284)	Streets	9 411 393	22 554 891	(13 143 498)
54 862 512	30 135 526	24 726 986	Sewerage	57 003 669	29 930 396	27 073 272
64 254 116	44 303 087	19 951 029	Water	103 988 970	45 226 882	58 762 089
(92 089)	3 919 362	(4 011 451)	Manager Community Services	(382 816)	4 302 210	(4 685 025)
5 712 308	5 790 236	(77 927)	Caravan Parks and Chalets	5 428 661	6 194 161	(765 500)
95 283	399 286	(304 003)	Cemeteries	137 303	528 676	(391 373)
29 125 627	30 523 867	(1 398 240)	Cleansing	32 602 716	26 405 022	6 197 694
18 787 586	17 014 277	1 773 309	Housing	19 721 608	20 948 314	(1 226 707)
9 251 380	22 290 799	(13 039 419)	Public Safety and Rescue Services	7 024 126	23 742 984	(16 718 858)
(592 652)	20 780 508	(21 373 161)	Parks and Recreation	432 745	22 225 079	(21 792 335)
448 764 047	406 777 070	41 986 977	Sub Total	629 042 522	635 629 329	(6 586 806)
-	-	-	Health (Discontinued operations)	-	-	-
448 764 047	406 777 070	41 986 977		629 042 522	635 629 329	(6 586 806)
	1 369 313	(1 369 313)	Less inter-dep charges		889 265	(889 265)
448 764 047	405 407 757	43 356 290	Total	629 042 522	634 740 064	(5 697 542)

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix D : Segmental analysis of Statement of Financial Performance (GFS classification)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010						
GFS CLASSIFICATION						
2009	2009	2009	SEGMENT	2010	2010	2010
Actual income	Actual expenditure	Surplus/ (deficit)		Actual income	Actual expenditure	Surplus/ (deficit)
R	R	R		R	R	R
562 013	8 488 226	(7 926 213)	Community & Social Services	602 986	9 774 806	(9 171 820)
154 213 111	110 100 528	44 112 583	Electricity	190 099 315	127 758 676	62 340 639
38 269 284	35 220 867	3 048 417	Executive & Council	135 891 329	234 381 467	(98 490 137)
50 047 118	42 383 585	7 663 533	Finance & Admin	62 072 743	50 603 247	11 469 496
18 787 586	17 014 277	1 773 309	Housing	19 721 608	20 948 314	(1 226 707)
-	1 376	(1 376)	Other	-	1 376	(1 376)
4 401 571	13 248 832	(8 847 261)	Planning and Development	4 762 261	15 882 027	(11 119 766)
9 251 380	22 290 799	(13 039 419)	Public Safety	7 024 126	23 742 984	(16 718 858)
8 173 445	23 157 041	(14 983 595)	Road Transport	5 301 781	19 343 256	(14 041 475)
5 119 656	26 570 744	(21 451 088)	Sport and Recreation	5 861 406	28 419 241	(22 557 835)
29 125 627	30 523 867	(1 398 240)	Waste Management	32 602 716	26 405 022	6 197 694
66 559 139	33 473 841	33 085 298	Waste Water Management	61 113 281	33 142 032	27 971 249
64 254 116	44 303 087	19 951 029	Water	103 988 970	45 226 882	58 762 089
448 764 047	406 777 070	41 986 977	Sub Total	629 042 522	635 629 329	(6 586 806)
-	-	-	Health (Discontinued operations)	-	-	-
448 764 047	406 777 070	41 986 977		629 042 522	635 629 329	(6 586 806)
	1 369 313	(1 369 313)	Less inter-dep charges		889 265	(889 265)
448 764 047	405 407 757	43 356 290	Total	629 042 522	634 740 064	(5 697 542)

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix E (1) : Actual VS Budget (Revenue + Expenditure)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010					
REVENUE	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of significant variance greater than 10% versus budget
Property rates	54 966 604	54 711 495	255 109	0.5%	
Property rates - penalties imposed & collection charges	2 143 779	1 570 000	573 779	36.5%	An increase in the Arrear Rates and non-payment on long outstanding debtors.
Service charges	283 375 367	292 485 594	(9 110 227)	-3.1%	
Rental of facilities & equipment	8 461 372	8 771 727	(310 355)	-3.5%	
Interest earned - external investments	18 488 515	20 947 197	(2 458 682)	-11.7%	Interest rates decreased drastically from the previous financial years on which the budget was based and the prime interest rate was adjusted by the reserve bank several times during the financial year.
Interest earned - unamortised discount	510	510	(0)	-0.1%	
Interest earned - outstanding debtors	353 715	361 845	(8 130)	-2.2%	
Fines	2 644 440	3 069 151	(424 711)	-13.8%	The Budget for camera fines did not realise during the financial year, as the tender was cancelled due to an investigation on the existing tender. Refer to Note 48 (Events after reporting date) in the 2008/09 Annual Financial Statements for further detail.
Actuarial gains	83 859	-	83 859		
Licences and permits	4 315 156	4 232 546	82 610	2.0%	
Government grants and subsidies	94 046 805	138 388 682	(44 341 877)	-32.0%	R22,5m budget for Contribution from PetroSA included in this budget, should however be included in Public contributions budget. Spending on the following budgets did not realise during the financial year due to various reasons: R1,5m on Thusong Centre, R8,7m on Housing Topstructures and R6,1m on Energy efficiency & Demand side management project. An amount of R1,2m is budgeted under Grants and subsidies for spending on the D'almeida Housing Topstructures, which was actually funded out of the Housing Development Fund. If all this is taken into consideration the variance is 7.9%
Other income	124 885 416	52 281 975	72 603 441	138.9%	An amount of R97,7m for the revaluation of Investment property was not budgeted for and is a non-cash entry. The budgeted contributions for R22,3 million from the Accumulated Surplus was not necessary seeing as the municipality had an operating surplus for the 2009/10 year. The contributions from External services was under by an amount R1 657 002.
Public contributions, donated/contributed PPE	25 379 555	2 616 490	22 763 065	870.0%	Budget of R2,6m only for New Connections. Budget of R22,5m from PetroSA for Reverse Osmosis plant budgeted under Grants and Subsidies. Countdown clock received from Provincial government in March 2010 and was therefor not included in budget. If this is taken into account the variance is 0.9%.
Total Revenue	619 145 092	579 437 212	39 707 880	6.9%	

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix E (1) : Actual VS Budget (Revenue + Expenditure)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010					
EXPENDITURE	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of significant variance greater than 10% versus budget
Employee-related costs	153 957 930	149 428 532	4 529 398	3.0%	
Remuneration of Councillors	5 781 129	6 069 092	(287 963)	-4.7%	
Impairment Costs	12 513 624	13 036 328	(522 704)	-4.0%	The municipality has written off bad debts to the amount of R10,1m during the 2009/10 year, which contributed to the actual bad debt provision being less than the budget.
Collection Costs	3 362 747	3 413 000	(50 253)	-1.5%	
Depreciation	25 732 514	29 843 561	(4 111 047)	-13.8%	Budgeted for capital projects depreciation that is still under construction at year-end.
Amortisation - Intangible Assets	154 471	159 153	(4 682)	-2.9%	
Actuarial loss	5 340 126	-	5 340 126		No actuarial loss was projected in the 2008/09 Actuarial report. Also refer to note 6.1.1 (3) of this financial statements for detail on the actuarial loss.
Repairs and maintenance	29 781 327	34 358 804	(4 577 477)	-13.3%	The biggest underspending of the Repairs and Maintenance budget occurred in the Streets & Stormwater Department. R300 000 out of MS/G funding is budgeted for the drafting of a new maintenance plan for infrastructure assets during the 2010/11 budget year.
Interest paid	994 701	660 001	334 700	50.7%	Interest on Provincial Grants not budgeted for.
Bulk purchases	105 502 690	114 904 343	(9 401 653)	-8.2%	
Contracted services	19 495 580	21 035 022	(1 539 442)	-7.3%	
Grants and subsidies paid	2 672 503	2 843 324	(170 821)	-6.0%	
General expenses - other	269 100 082	145 775 584	123 324 498	84.6%	An amount of R186,4m for the revaluation of Investment property was not budgeted for and is a non-cash entry. An amount of R9,5 million was budgeted for the transfers for Land Sales and Ext. services to the reserves, which was transferred through the Statement of Changes in Net Assets. An amount of R36,2 million was provided for a contribution to the CRR in the budget, which was transferred through the Statement of Changes in Net Assets and not as a direct contribution. Expenditure to the amount of R7,8 million for Housing topstructure did not realise.
Total Expenditure	634 389 424	521 526 744	112 862 680	21.6%	
Gain on disposal of Property, Plant & Equipment	9 897 430	5 070 000	4 827 430	95.2%	The R9 million gain is in regards to the selling of Land to Shoprite Checkers in Heiderand.
Loss on disposal of Property, Plant & Equipment	(350 640)	(50 000)	(300 640)	601.3%	
Surplus for the year from discontinued operations	-	-	-		
NET SURPLUS/(DEFICIT) FOR THE YEAR	(5 697 542)	62 930 468	(68 628 010)	-109.1%	

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix E (2) : Actual VS Budget (Acquisition of PPE)

ACTUAL VERSUS BUDGET (ACQUISITION OF PPE) FOR THE YEAR ENDED 30 JUNE 2010						Explanation of significant variances greater than 5% versus budget
	2010 Actual R	2010 Total Additions R	2010 Budget R	2010 Variance R	2010 Variance %	
Land and Buildings						
Land	507 619	507 619	660 000	152 381	23.09%	The project for extension of civic building was cancelled, due to urgency of water drought situation. Only spending for planning phase
Buildings	1 490 521	1 490 521	2 525 197	1 034 676	40.97%	
	1 998 140	1 998 140	3 185 197	1 187 057	37.27%	
Infrastructure						
Drains	10 375 814	10 375 814	10 426 649	50 835	0.49%	The funding for Energy Efficiency and Demand Side Management Projects was only received in November 2009, delivery periods for material lengthy.
Roads	20 923 562	20 923 562	27 123 312	6 199 750	22.86%	
Beach improvements	590 086	590 086	625 000	34 914	5.59%	
Sewerage Mains & Purif	58 271 601	58 271 601	59 794 063	1 522 462	2.55%	
Electricity Mains	8 343 972	8 343 972	9 514 044	1 170 072	12.30%	
Electricity peak load equip	16 493 464	16 493 464	23 953 739	7 460 275	31.14%	
Water mains & purification	-	-	-	-	-	
Reservoirs - Water	305 718	305 718	306 000	282	0.09%	
Water meters	674 441	674 441	800 000	125 559	15.69%	
Water mains	13 631 638	13 631 638	15 692 525	2 060 887	13.13%	
	129 610 296	129 610 296	148 235 332	18 625 036	12.56%	
Community Assets						
Parks & Gardens	1 459 215	1 459 215	1 436 900	(22 315)	-1.55%	R3m for Thusong centre not spent.
Libraries	-	-	-	-	-	
Recreation grounds	2 326 497	2 326 497	2 380 400	53 903	2.26%	
Community buildings	2 034 272	2 034 272	5 267 695	3 233 423	61.38%	
	5 819 984	5 819 984	9 084 995	3 265 011	35.94%	
Heritage assets						
Historical buildings	-	-	-	-	-	
Painting & art galleries	-	-	-	-	-	
	-	-	-	-	-	
Total carried forward	137 428 420	137 428 420	160 505 524	23 077 104	14.38%	

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix E (2) : Actual VS Budget (Acquisition of PPE) continued

ACTUAL VERSUS BUDGET (ACQUISITION OF PPE) FOR THE YEAR ENDED 30 JUNE 2010						Explanation of significant variances greater than 5% versus budget
	2010 Actual R	2010 Total Additions R	2010 Budget R	2010 Variance R	2010 Variance %	
Total brought forward	137 428 420	137 428 420	160 505 524	23 077 104	14.38%	
Housing rental stock						
Housing rental 1	-	-		-		
Housing rental 2	-	-		-		
	-	-	-	-		
Leased assets (Infrastructure)						
Leased assets (Infrastructure)	377 295	377 295	388 000	10 705	2.76%	
	377 295	377 295	388 000	10 705	2.76%	
Other assets						
Landfill sites	201 917	201 917	281 000	79 083	28.14%	Savings identified on Refuse projects.
Office equipment	90 795	90 795	118 500	27 705	23.38%	Saving allocated to Furniture and fittings budget
Furniture & fittings	3 742 897	3 742 897	3 135 871	(607 026)	-19.36%	Saving from Office Equipment to Furniture and fittings budget
Bins & containers	-			-		
Emergency equipment	425 260	425 260	418 849	(6 411)	-1.53%	
Motor vehicles	2 955 101	2 955 101	3 076 333	121 232	3.94%	
Fire engines	526 150	526 150	526 150	0	0.00%	
Refuse tankers	778 057	778 057	1 000 000	221 943	22.19%	Savings identified on Refuse projects.
Computer equipment	253 271	253 271	253 030	(241)	-0.10%	
Councillors regalia	-			-		
Conservancy tankers	-			-		
Watercraft	-			-		
	8 973 446	8 973 446	8 809 733	(163 713)	-1.86%	
Non PPE						
Investment Properties	-			-		
Intangible Assets	-	-		-		
Agricultural Assets	-	-		-		
	-	-	-	-		
Total	146 779 161	146 779 161	169 703 257	22 924 096	13.51%	

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix F : Disclosure of Grants and Subsidies (According to Section 123 of MFMA)

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003												
Name of PROJECT	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld June	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
CAPITAL GRANTS & SUBSIDIES												
GLENTANA DRIVE STORM WATER	MIG	2,386,649					1,555,106	831,542				(0)
AZZANI/ZINYOKA INFRASTRUCTURE	Department of Housing	467,031		884,958			216,403	109,004	701,175	294,371		31,036
UPGRADE SEWER PLANT- FRIEMERSHEIM	MIG		864,000		100,000				28,935			935,065
BUCKET SYSTEM	MIG				400,000				377,490			22,510
FRIEMERSHEIM NEW BUS ROUTES	MIG			950,000		550,284		75,974	148,125			1,276,185
ASIZANI/ZINYOKA MAIN ACCESS ROADS	MIG		500,000	2,000,000			58,933	394,950	1,578,408	467,709		0
ASIZANI/ZINYOKA WALKWAYS	EPWP							44,625	405,823		450,448	-
KB: ENLARGE WATER TREATMENT	MIG		4,750,000				3,285,147	385,135	727,157	352,561		(0)
GBR: ENLARGE WATER TREATMENT PLANT	MIG		305,718					86,768	218,951			-
UPGRADE BULK WATER LINES AT FRIEMERSHEIM	MIG	41,345	344,997				376,365			9,978		0
RECLAMATION WASTE WATER (H/BOS)	DWAF				16,500,000							-
POWERTOWN EHS	Department of Housing	184,993						42,982				142,011
GABIONS & PARKING RIVER MOUTH STORMWATER : HOOGEKRAAL PROJECT	MIG	1,300,000						66,075	20,735	884,976		328,214
MULTI-PURPOSE CENTRE - KWANONOBABA	Department of Social Development	1,722,963					837,542	827,681	57,740			-
GREENHAVEN : NEW ROADS : MARIGOLD STREET	MIG	1,281,113			1,500,000	104,831						3,141,043
FURNITURE, TOOLS & EQUIPMENT - WARD COMMITTEES	MSIG									1,078,343		202,770
ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT	DME							8,094	36,934	12,277		(0)
ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT	DME			13,000,000	2,000,000			1,087,578	4,389,000	3,379,032		6,144,390
ELECTRIFICATION PROJECTS	NER		210,000	2,430,000	600,000		304,404	860,445	960,159	1,180,159	65,167	(0)
TOTAL CAPITAL GRANTS		8,920,306	7,032,021	19,264,958	21,100,000	655,115	6,641,994	4,849,693	12,818,931	20,954,173	515,615	12,223,224

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix F : Disclosure of Grants and Subsidies (According to Section 123 of MFMA) continued

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003												
Name of PROJECT	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld June	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
OPERATIONAL GRANTS & SUBSIDIES												
KWA/ELANGENI - PHP PROJECT (TOPSTRUCTURES)	Department of Housing	3,227,146					1,457,044		1,770,102		(0)	
GBR/WOLVEDANS PROJECT (TOPSTRUCTURES)	Department of Housing	1,463,667		4,919,773	4,101,644	2,606,176	1,301,444	2,742,585	2,274,878	5,860,550	911,803	
LGWSETA SKILLS DEVELOPMENT	SETA	255,128	84,331		306,914	172,180	69,048	270,410	191,757	217,414	69,923	
FINANCE MANAGEMENT GRANT	NATIONAL	254,369	750,000				120,000	334,362	120,000	279,291	150,715	
EQUITABLE SHARE	NATIONAL		10,882,128	8,705,703		6,529,277		11,988,581	3,457,038	10,671,490	-	
ADDITIONAL EQUITABLE SHARE - ELECTRICITY BULK PURCHASES	NATIONAL				561,317				561,317		-	
SUBSIDY NEWS LETTERS - M-Bay	PAWC - Culture Affairs & Sport				1,383	1,697	1,098	1,314	76	593	-	
SUBSIDY NEWS LETTERS - D'Almeida	PAWC - Culture Affairs & Sport				1,487	1,559	477	1,010	492	1,067	0	
SUBSIDY NEWS LETTERS - G/Brak	PAWC - Culture Affairs & Sport				929	1,090	1,231		755	32	(0)	
SUBSIDY NEWS LETTERS - Greenhaven	PAWC - Culture Affairs & Sport				303	1,090			420	973	-	
SUBSIDY NEWS LETTERS - Hartenbos	PAWC - Culture Affairs & Sport				678	519	266	294	222	415	(0)	
SUBSIDY NEWS LETTERS - Kwanonqaba	PAWC - Culture Affairs & Sport				1,148	1,559	449	699	492	1,067	-	
SUBSIDY MAIN ROADS	PAWC										-	
OPERATING BALANCE PAWC	Department of Housing					3,520,851				3,520,851	-	
HOME OWNERS EDUCATION	Department of Housing	30,943	96,000		50,000	1,446	84,401	34,688	12,112	13,896	33,292	
PROVINCIAL MANAGEMENT SUPPORT GRANT	PAWC				250,000	2,268			223,946	26,054	2,268	
COMMUNITY DEVELOPMENT WORKERS	Department of Social Services				120,000	1,817				6,800	115,017	
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	PAWC	64,779	342,695					8,447	23,574	250,525	124,927	
REPAIR WATER LEAKAGES	Masibambani	79,807	86,548						14,301	62,670	89,185	
TEMPORARY CASUAL STAFF - LIBRARIES	PAWC - Culture Affairs & Sport		168,000	188,000	463,000		204,277	198,088	202,896	193,939	(0)	
TOTAL OPERATING GRANTS		5,375,636	12,409,702	13,793,476	5,858,802	12,841,527	3,239,736	15,580,476	8,854,177	21,107,625	- 1,497,125	

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix F : Disclosure of Grants and Subsidies (According to Section 123 of MFMA) continued

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003												
Name of PROJECT	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld June	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
PUBLIC CONTRIBUTIONS & DONATED PPE												
RECLAMATION WASTE WATER (H/BOS)	PETROSA									22,500,000	22,500,000	-
FURNITURE, TOOLS & EQUIPMENT - DONATED COUNTDOWN CLOCK	PAWC				500,000				500,000			-
FURNITURE, TOOLS & EQUIPMENT - DONATED URN	Old Mutual					800				800		-
ABLUTION BLOCK-SOCCER FACILITY - DONATED	PETROSA			519,667				519,667				-
RELIEF CHARITABLE FUND	Public Contribution	65,885	3,010	3,270	7,500	30,000	17,000	29,501	15,000	15,000		33,164
YOUTH DAY DONATIONS	PETROSA		2,000			25,000	2,000			25,000		-
TOTAL PUBLIC CONTR. & DONATED PPE		65,885	5,010	522,937	507,500	55,800	19,000	549,168	515,000	22,540,800	22,500,000	33,164
TOTAL GRANTS, SUBSIDIES, PUBLIC CONTRIBUTIONS & DONATED PPE		14,361,827	19,446,733	33,581,371	27,466,302	13,552,442	9,900,730	20,979,337	22,188,108	64,602,598	23,015,615	13,753,518

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Appendix F : Disclosure of Grants and Subsidies (According to Section 123 of MFMA) continued

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003												
Name of VOTE	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld June	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS & DONATED PPE (per vote)												
MUNICIPAL MANAGER		65,885	10,885,138	8,708,973	507,500	10,080,128	17,000	12,018,082	3,972,038	14,207,341	-	33,164
CORPORATE SERVICES		1,856,117	486,331	-	2,176,914	306,095	79,141	315,791	439,278	538,070	-	3,453,178
FINANCIAL SERVICES		254,369	750,000	-	-	800	120,000	334,362	120,000	280,091	-	150,715
CIVIL SERVICES		6,811,677	6,851,264	2,950,000	17,000,000	550,284	6,113,093	2,712,750	6,782,897	38,651,003	22,950,448	2,853,929
COMMUNITY SERVICES		-	168,000	687,667	468,928	7,512	207,800	721,071	205,152	198,084	-	(0)
ELECTRO-MECHANICAL SERVICES		-	210,000	15,430,000	3,161,317	-	304,404	1,948,023	5,910,477	4,559,191	65,167	6,144,390
DEVELOPMENT PLANNING & HOUSING		5,373,779	96,000	5,804,731	4,151,644	2,607,622	3,059,291	2,929,260	4,758,267	6,168,816	-	1,118,142
TOTAL PUBLIC CONTR. & DONATED PPE		14,361,827	19,446,733	33,581,371	27,466,302	13,552,442	9,900,730	20,979,337	22,188,108	64,602,598	23,015,615	13,753,518

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003												
Name of GRANT	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS & DONATED PPE (per grant)												
EQUITABLE SHARE	NATIONAL	-	10,882,128	8,705,703	561,317	6,529,277	-	11,988,581	4,018,355	10,671,490	-	-
FINANCE MANAGEMENT GRANT	NATIONAL	254,369	750,000	-	-	-	120,000	334,362	120,000	279,291	-	150,715
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	NATIONAL	64,779	400,000	-	-	-	8,094	45,381	23,574	262,803	-	124,927
MUNICIPAL INFRASTRUCTURE GRANT	NATIONAL	6,732,070	6,764,716	2,950,000	500,000	550,284	6,113,093	2,668,125	3,157,540	2,793,568	-	2,764,744
DROUGHT RELIEF GRANT	NATIONAL	-	-	-	16,500,000	-	-	-	3,205,234	13,294,766	-	-
INTEGRATED HOUSING AND HUMAN SETTLEMENT & DEVELOPMENT GRANT	Department of Housing	5,373,779	96,000	5,804,731	4,151,644	2,607,622	3,059,291	2,929,260	4,758,267	6,168,816	-	1,118,142
MAINTENANCE OF PROCLAIMED ROADS	PAWC	-	-	-	-	-	-	-	-	-	-	-
EXTENDED PUBLIC WORKS PROGRAMME	PAWC	-	-	-	-	-	-	44,625	405,823	-	450,448	-
LIBRARY SERVICES	PAWC - Culture Affairs & Sport	-	168,000	168,000	463,000	-	204,277	198,088	202,696	193,939	-	(0)
ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT	Department of Mineral & Energy	-	-	13,000,000	2,000,000	-	-	1,087,578	4,389,000	3,379,032	-	6,144,390
MULTI-PURPOSE CENTRE	Department of Social Development	1,536,213	-	-	1,500,000	104,831	-	-	-	-	-	3,141,043
PROVINCIAL MANAGEMENT SUPPORT GRANT	PAWC	-	-	-	250,000	2,268	-	-	223,946	26,054	-	2,268
COMMUNITY DEVELOPMENT WORKERS	Department of Social Services	-	-	-	120,000	1,817	-	-	-	6,800	-	115,017
LGWSETA SKILLS DEVELOPMENT	LGWSETA	255,126	84,331	-	306,914	172,180	69,048	270,410	191,757	217,414	-	69,923
ELECTRIFICATION PROJECTS	NER	-	210,000	2,430,000	600,000	-	304,404	860,445	960,159	1,180,159	65,167	(0)
MASIBAMBANI PROJECT	NATIONAL	79,607	86,548	-	-	-	-	-	14,301	62,670	-	89,185
DONATED PPE		-	-	519,667	500,000	800	-	519,667	500,000	800	-	-
OPERATING BALANCE PAWC	Department of Housing	-	-	-	-	3,520,851	-	-	-	3,520,851	-	-
PUBLIC CONTRIBUTIONS AND OTHER SUBSIDIES		65,885	5,010	3,270	13,428	62,512	22,522	32,817	17,456	22,544,146	22,500,000	33,164
TOTAL GRANTS		14,361,827	19,446,733	33,581,371	27,466,302	13,552,442	9,900,730	20,979,337	22,188,108	64,602,598	23,015,615	13,753,518